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1938

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BUSINESS WEEK



NOW UP TO PAT—Sen. Harrison's Finance Committee has the job
of revising H. R. 9682—the House tax bill. He's business minded.

Harris & Ewing

Union Calendar No. 675
H. R. 9682
(Report No. 1680)

IN THE HOUSE OF REPRESENTATIVES

MARCH 1, 1938

Mr. Denman introduced the following bill, which was referred to the Com-
mittee on Ways and Means and ordered to be printed:

MARCH 1, 1938.

Committed to the Committee of the Whole House on the state of the Union
and ordered to be printed

A BILL

To provide revenue, equalize taxation, and for other purposes.

1. Be it enacted by the Senate and House of Representa-
tives of the United States of America in Congress assembled,
2. That this Act, divided into titles and sections according to
the following Table of Contents, may be cited as the "Re-
venue Act of 1938":

TABLE OF CONTENTS

TITLE I—INCOME TAX

SUBTITLE A—INTRODUCTORY PROVISIONS

- Sec. 1. Application of title.
Sec. 2. Credit adjustment.
Sec. 3. Classification of persons.
Sec. 4. Special class of taxpayers.

GENERAL LIBRARY
UNIVERSITY OF MICHIGAN
MAIN LIBRARY

ACCURATE TO .0005" IN 24



● Pete's hands are rough and callous—covered with oil. You wouldn't want him to make the little spindle for your watch. But don't let those hands deceive you.

Pete sets up his centerless grinder and when that 24 foot shaft comes off the machine it is 3 inches in diameter with not more than one-half of one one-thousandth of an inch variation in diameter over its entire length—just one-tenth the thickness of the paper on which this is printed.

Accuracy is a habit in Republic plants—and accuracy in the steels you buy can save you money. It

may be accuracy of size in shapes—or gauge in sheets—or threads on bolts—or surface on enameling iron—or finish on stainless steel—or hardness or strength in alloys.

Where you need accuracy in steel, remember this fact. Republic has spent millions of dollars in new equipment—to bring to you new steels more accurate by every standard—and to save you money, time and worry.

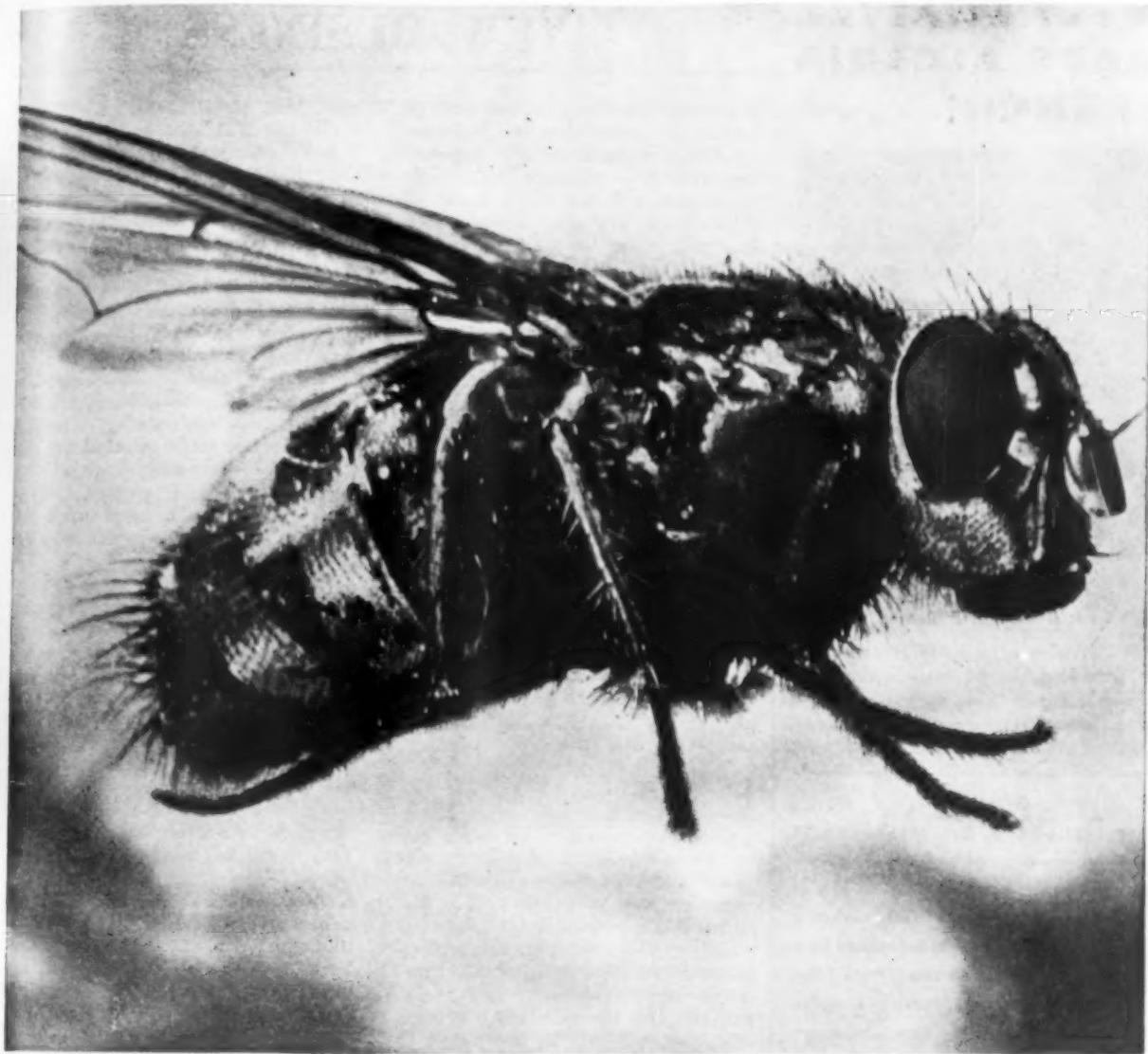
Let a representative tell you how Republic's diversified line of steels and steel products will meet your needs. Republic Steel Corporation, Cleveland, O.

REPUBLIC STEEL

TRUSCON STEEL COMPANY—STEEL AND TUBES, INC.—UNION DRAWN STEEL DIVISION
BERGER MANUFACTURING DIVISION—NILES STEEL PRODUCTS DIVISION

Facts about REPUBLIC

- Produces a complete line of standard headed and threaded items in all sizes, analyses and finishes as well as many special items.
- Developed a new heat-treated casing that increased safety in deep well drilling.



Rubber—like sugar—catches more flies

A typical example of Goodrich product development

YOU remember the old saying—"Sugar catches more flies than vinegar." Catching flies is the job of Tanglefoot Company, makers of fly paper, so when they heard that a foreign product caught more flies than their own, they investigated and found the reason—rubber was part of the sticky material. But the method of using the rubber was a carefully guarded foreign secret.

Tanglefoot came to Goodrich with the problem. A Goodrich technical man went to work, developed a formula equal in every way to the foreign product, and then even helped Tangle-

foot find the machinery needed for mixing the new ingredients.

With the Goodrich formula, the new Tanglefoot paper actually catches more flies, does not dry out, and ages so much more slowly that it lasts several times longer than any material used before. As a natural result, sales mounted.

Remember this, next time you buy anything made of rubber. Goodrich research is continuous. Applied to new problems it has developed tanks which hold even the most violent acids, rubber compounds so resistant to abrasion that they outwear steel 10 to 1, rubber colors and forms so attractive

that they add new sales appeals to countless products. This same continuous research is also applied to standard products, with the result that Goodrich belting, hose and packing last far longer than used to be thought possible, and stand abuse and heats that would have ruined rubber a few years ago. Next time you buy mechanical rubber goods specify Goodrich, and save money. The B. F. Goodrich Company, Mechanical Rubber Goods Division, Akron, Ohio.

Goodrich
ALL *product problems* IN RUBBER

A FLY SWATTER MADE ALGERIA FRENCH . . . *



* In 1827, when the hot-headed Dey of Algiers struck the French consul across the face with a fly swatter, it gave France the pretext to make war on him. Algeria was finally conquered and is now a part of France's colonial empire.

a little thing . . . BUT IT MADE A BIG DIFFERENCE

RELATIVELY a small part of a machine, yet a good clutch makes a big difference in its performance. It is no mere coincidence that Twin Disc Clutch equipped machinery is simpler in design and operation . . . is more quickly and easily controlled . . . turns out more work . . . needs less repair . . . and lasts longer. • The designers and manufacturers of machines value the Twin Disc Clutches most for their better design—but it is the unfailing reliability of Twin Disc Clutches and Power Take-Off Units on the job that the users appreciate. Write for booklet. *Twin Disc Clutch Company, Racine, Wis.*



NEW BUSINESS

Every high school student may soon be a potential automobile owner in Berkeley, Calif., where business is cooperating with the American Automobile Association and the city's Board of Education in providing students with lessons in motor car operation as part of the regular school curriculum. Western Casualty Co. is providing insurance coverage to protect the board; Berkeley Traffic Safety Commission is supplying the instructors; automobile dealers are furnishing dual-control cars to help open a new market.

In Middlesex County, N. J., where they are beginning to sell the region's industrial advantages, under the coordination of T. A. Haish, industrial commissioner, Middlesex County Record Bldg., New Brunswick, N. J. (BW—Feb 5 '38, p3), they have negotiated a lease with Charles Hellmuth Printing Ink Corp., which will occupy 20,000 sq.ft. of space in the plant of Michelin Tire Co., Milltown. Hellmuth, which will continue operation of its main plant in New York, expects to get into production at Milltown about June 1.

A special committee of Transportation Association of America, 400 W. Madison St., Chicago, is devoting its energies to the establishment of a sound national transportation policy. As an important step in its work, it is distributing a questionnaire calculated to round up views on desirable revisions in transportation legislation, new legislation deemed necessary, rates, competition, and the desirability of consolidating rail, road, air and water.

In the neighborhood of the Niagara frontier, business must be stirring from its winter slumbers: General Plastics, Inc., North Tonawanda, N. Y., is securing new financing to erect a \$500,000 building wherein it will manufacture synthetic phenol for its Durez molding compounds; Buffalo Scale Co., Buffalo, is acquiring additional floor space and improving plant facilities for the production of several new types of precision industrial scales, yet to be announced; the companies of Niagara Hudson Power Corp., 15 Broad St., New York, are expecting to construct 800 miles of new rural electric distribution lines this year. When added to the rural lines already operated by them, the new Niagara Hudson mileage will complete about 93% of the lines ultimately required to serve their territory.

Week after next, important exhibitions overlap on dates: Western Metal Congress, American Society for Metals, Pan-American Auditorium, Los An-

geles, Mar. 21-25; Exhibition of Modern Trends in Printing and Equipment, New York Employing Printers Association, Hotel Astor, New York, Mar. 21-23; 8th Packaging Exposition, American Management Association, Palmer House, Chicago, Mar. 22-25.

Meanwhile, the first of a series of American Industrial Expositions which will be held in cooperation with various department stores around the country, opened this week at Bloomingdale's, Lexington Ave. at 59th St., New York. Object of 90 cooperating manufacturers, several trade associations, and the Made In America Club of 650 manufacturers and numerous consumers, is to make more work for Americans by stimulating appreciation for American products.

This month, "Strathmore Highway Bond" paper for stationery is dropping its middle name and becoming simply "Strathmore Bond," easier to say, easier to remember. Strathmore Paper Co., West Springfield, Mass., will launch forthwith an extensive promotion campaign to spread news of the new name and to assure buyers that the change is in name only, not in paper. Abbott Kimball Co., Inc., New York, is the advertising agency.

Developments are coming fast in the business movie field: (1) Caravel Distributing Corp., 730 Fifth Ave., New York, is beginning the neighborhood theatre distribution of "Boy Meets Dog," reputedly the first cartoon business film in full Technicolor. Directed by the creator of "Oswald the Rabbit," the sequence brings in Ipana toothpaste subtly for Bristol-Myers Co., its manufacturer, and Pedlar & Ryan, Inc., its advertising agency. (2) Jam Handy Picture Service, 230 Park Ave., New York, is revamping the business film, "Selling America," which it produced in cooperation with Frigidaire Division, General Motors Corp., so that it can be used by other firms in their sales meetings. The story of how Ben Franklin's selling dogmas answer modern selling problems is unchanged, except that he is now going to tell how to sell Singer Sewing Machines, Sinclair Oil Products, and Weco Products like Dr. West's Toothbrushes.

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WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)—Realization that a tax could not be devised to hit Henry Ford and several other New Deal targets without hitting too many of "our own" spells the certain defeat of the Administration's pet scheme of supertaxing closely held corporations. No such provision will be in the law when enacted. It had been expected for weeks that the Senate would kill this measure, but it was a surprise when the House, on a tentative vote, showed sufficient independence to knock it out.

Letting George Do It

Certainty that the Senate will so modify the tax on undistributed earnings that only a face-saving remnant will be left is amply reflected in this week's House vote. Barely one-fourth of the House membership voted on a motion to kill this tax altogether—111 out of 435. The vote was 78 to 33—snafu because members of the House knew it was a sham battle, did not bother to rush in to be counted, did not even force a rollcall. They know the real substitute provision will be written in the Senate.

Trouble on Main Street

The determination of Congress—Senate as well as House—to override the President on publicity for salaries less than \$75,000 can be explained in terms of small-town corporation salaries, for irritation produced by the provision has not been confined to New York, Philadelphia, Chicago, Detroit, and other dens of economic royalists. It has hit friends of the legislators—and campaign fund contributors—back home. This is much more important than the piously expressed reason for stopping publicity: i.e., that it provided a directory for blackmailers, kidnappers, and a variety of solicitors.

ICC Paves the Way

More impetus to business is expected to come from the Interstate Commerce Commission's refusal to slap on a horizontal rate increase than from the increased revenues that the railroads will derive from the selective rate schedule prescribed. The commission's decision is regarded as a "half-way measure" deliberately adopted to bring next week's railroad policy discussions at the White House to the point of action without delay. The object is to develop measures sufficiently drastic to force overhauling of railroad finances and operations. Nothing immediate

will result, but legislation will be whipped into shape for enactment next year.

Folklore of Arnold

New Dealers say that the bark of Prof. Arnold of Yale is worse than his bite. Senators who will oppose his nomination



International

PROF. ARNOLD
Symbol of Government.

tion as Assistant Attorney General say that he's written too much for his own good ("Symbols of Government" and "Folklore of Capitalism") but nobody ventures to predict that he will not be confirmed. His appointment will stir up more friction on anti-trust policy. Arnold believes that the anti-trust laws must be thoroughly overhauled but like his predecessor Bob Jackson he clashes with Sen. Borah, the great anti-monopolist, whose crusade he describes as "entirely futile but enormously picturesque." Arnold will carry the brunt of the Administration's efforts to get a new law next year, but Congress is likely to take the job out of his hands if action seems to be called for by the New Deal's showing in the November elections.

The Whitney Affair

Failure of the bond brokerage firm of Richard Whitney & Co. has reform value. Whenever Congressmen or the Securities and Exchange Commission want stock markets to increase their vigilance over members, they can point to the Whitney affair and say: "See." No other stock exchange firm could provide such fine political capital, for Whitney was president of the New

York Stock Exchange for five years and was one of the old-guard opponents of SEC rule and reform. Ironical, that Whitney, who opposed reform, should now help it. One result may be an SEC regulation covering broker custodianship of securities. Incidentally, President Roosevelt and SEC Chairman Douglas took an automobile ride together, the day after the affair.

Around Wage-Hour Impasse

Enactment of a wage-hour law this session must still be reckoned as a distinct possibility with practical assurance that a 30¢ minimum wage and a 44-hour maximum week at the start will break the deadlock in the House Rules Committee. This has the earmarks of a compromise that a majority of Congressmen would rather vote for than against. The Administration would be satisfied to take a limp bill from the House in the hopes of adding starch from the stiff bill passed by Senate last session. Such strategy has little chance as the Senate will desert its own bill as soon as it gets a chance.

Disregarding the Schism

"Are your feet on the ground?" a friendly Congressman asked a minor TVA executive, while the Senate squabbled over whether investigation should be made by the "friendly" Federal Trade Commission or by a Congressional committee. "Square on the earth," retorted the underling whose bosses are at odds. "I am working for TVA, but not for T or for V or for A."

Question: What's Prudent?

Wendell L. Willkie's proposal to sell out private utility holdings to TVA finds Lilienthal eager to take him up, starting at the Roosevelt idea of "prudent investment." The chief complication from the Norris-Rankin standpoint is the unexpected contention of J. D. Ross, boss of Bonneville and successful manager of Seattle municipal plant, that items like gross and net income, and present physical value should be considered in fixing a price, as well as original value and depreciation.

Whipping Reorganization

Snipping away here and biting off there, opponents of government reorganization are gradually getting the President's No. 1 objective for the remainder of the present session in digestible shape. They know they haven't the votes to beat the bill outright, so they are concentrating on crippling amendments. Help will continue to be

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furnished by the Comptroller-General's office, which, despite its lack of an official head, is fighting manfully for life. It will have more sensational charges like its latest revelation that TVA spent nearly \$5,000,000 illegally.

Whittling Down 7-TVA Plan

Behind the scenes, the House Rivers and Harbors Committee is having a tough time trying to write a compromise bill to give Roosevelt his regional conservation authorities. The 7-TVA idea has long since gone by the board, but even this victory has not mollified the opposition, which sees even a mild power of review for the federal government on community or regional projects as an unnecessary interference with local self-government.

Food and Drug Bill—Again

Carefully stripped of all references to the regulation of false advertising, Sen. Copeland's battered food and drug bill at last saw light of day in the House Commerce committee this week. Chairman Lea has kept it very carefully pigeon-holed while his own bill giving the Federal Trade Commission authority over the advertising of foods and drugs progressed through the house, through a conference committee, and up to a certain (though still delayed) approval by the Senate and the President. Aside from the deletion of the advertising provisions, the House version of the bill is significant in that it retains the Bailey amendments restricting the multiple seizure of goods in misbranding charges and it includes new provisions governing the use of untried drugs such as sulfanilamide.

Goodyear Case Goes On

When the Federal Trade Commission says "stop," it doesn't simply mean "quit for the time being." To be sure that such interpretation is placed on its orders, FTC appealed the decision of the Circuit Court which dismissed its order prohibiting Goodyear from selling tires to Sears at a "discriminatory" discount. The court said the case was moot because the contract, which the commission said violated the Clayton act, had been voluntarily surrendered when that law was amended by the Robinson-Patman law. This week the Supreme Court consented to review the case, evidently feeling that there was room for the FTC argument that if its Goodyear order weren't upheld, other offenders might elude cease-and-desist orders by temporarily abandoning forbidden practices, during appeal of the order, and then resorting to them later. The commission also hopes to get the definition of cost—so painstakingly developed in this celebrated case—established in law as a precedent for Robinson-Patman actions. Confident of victory, Goodyear is

pleased with the promise of Supreme Court review, for only such complete exoneration can free it from the threat of private suits for triple damages under the anti-trust laws.

Taxing State Incomes

An attempt to impose the federal income tax on state government salaries and on state and local bond coupons will be pushed by Sen. La Follette, with considerable support and with more than a chance that Congress may be tempted to try the plan. Treasury opinion is that a Constitutional amendment is the only way to accomplish the objective and that, if proposed, would be beaten by more than a third of the states, making ratification impossible. But La Follette is taking a long step. It may be the entering wedge to remove the last refuge of tax-chased capital. La Follette's proposal follows the Supreme Court decisions upholding taxes on contractors doing government work, lessors of publicly-owned oil lands, and on honorariums paid state-appointed officials from private purses.

Toward Division of Authority

In drafting the Glass-McAdoo bill to freeze the growth of bank holding companies, the Federal Deposit Insurance Corp. is forcing to an issue the present division of supervisory powers among the Federal Reserve, the Treasury, and the FDIC. The bill authorizes the FDIC to examine any and all banks and to require reports on various aspects of banking operations which it is not now empowered to get. The President will strive to achieve harmony in Administration policy by the time Sen. Glass returns from a short Mediterranean cruise.

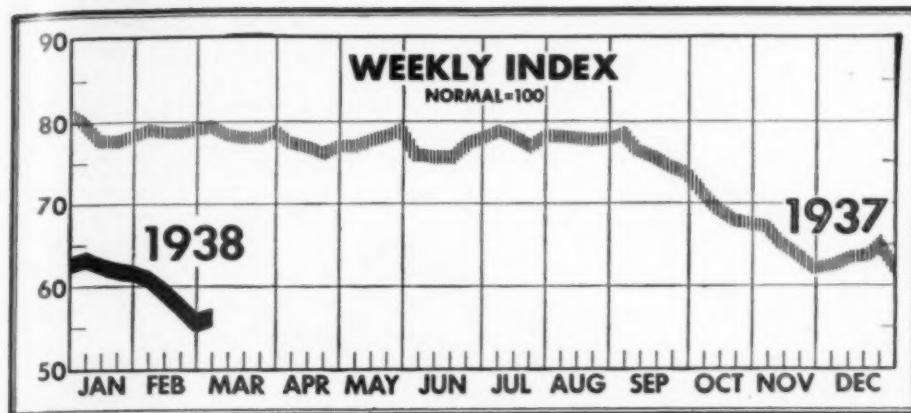
Stream Pollution Stymied

Resistance to any extension of federal power is responsible for continued inaction on legislation for control of stream pollution, in this case the objection is even stronger, for the "teeth" in the bill which has been held in a House-Senate conference committee would permit federal authority to order municipal improvements without regard to local public sentiment or financial conditions.

Fight Over Air Control

The President is still playing politics with air transport, using every lever to get further centralization of authority in the White House. Roosevelt has ignored the McCarran bill to set up an independent authority, favors the Lea bill that would set up a board under his "general direction." The President claims support of a majority of the industry, but many operators, seeking an escape from political interference, favor regulation by the Interstate Commerce Commission.

BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



The Figures

Latest Week	*57.3
Preceding Week	†56.9
Month Ago	61.9
Year Ago	80.1
Average 1933-37	65.3

PRODUCTION

*Steel Ingot Operation (% of capacity).....	29.9
*Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$5,507
Engineering Construction Awards (<i>Eng. News-Rec.</i> , 4-wk. daily av. in thousands).....	\$9,420
*Bituminous Coal (daily average, 1,000 tons).....	1,112
*Electric Power (million kw.-hr.).....	2,036

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
*Steel Ingot Operation (% of capacity).....	29.9	29.3	30.7	87.3	80.8
*Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$5,507	\$5,524	\$8,570	\$9,703	\$5,416
Engineering Construction Awards (<i>Eng. News-Rec.</i> , 4-wk. daily av. in thousands).....	\$9,420	\$8,252	\$9,336	\$8,543	\$5,256
*Bituminous Coal (daily average, 1,000 tons).....	1,112	1,083	1,270	1,897	1,478
*Electric Power (million kw.-hr.).....	2,036	2,031	2,082	2,200	1,782

TRADE

Total Carloadings (daily average, 1,000 cars).....	91
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	59
*Check Payments (outside N. Y. City, millions).....	\$4,387
*Money in Circulation (Wednesday series, millions).....	\$8,343

PRICES (Average for the week)

Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.96
Cotton (middling, New York, lb.).....	9.16¢
Iron and Steel (Steel, composite, ton).....	\$38.84
Copper (electrolytic, Connecticut Valley basis, lb.).....	10.00¢
Moody's Spot Commodity Price Index (Dec. 31, 1931 = 100).....	150.6

FINANCE

Bond Yields (Standard Statistics, average 45 bonds).....	6.12%
Call Loans, Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%
Prime Commercial Paper, 4-6 Months, N. Y. City (prevailing rate).....	1.00%
Business Failures (Dun and Bradstreet, number).....	242

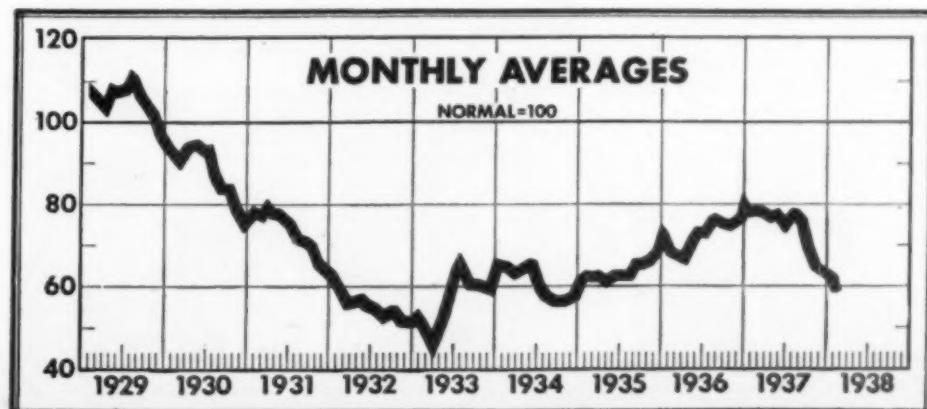
BANKING (Millions of dollars)

Total Federal Reserve Credit Outstanding (Wednesday series).....	2,563
Excess Reserves, all member banks (Wednesday series).....	1,390
Total Loans and Investments, reporting member banks.....	21,231
Commercial and Agricultural Loans, reporting member banks;.....	4,357
Security Loans, reporting member banks;.....	1,385
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	9,296
Other Securities Held, reporting member banks.....	3,002

*Factor in Business Week Index. *Preliminary, Week Ended March 5. †Revised. ‡New Series. §Not Available.

These monthly averages are merely simple averages of each month's weekly figures of *Business Week's* index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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Less than a Penny for her Thoughts

• Business houses using Carrier Air Conditioning know that this woman's thoughts turned favorably to their store and to the store's wares after they had installed Carrier Air Conditioning. They learned it by knowing every red and black penny on their books. The cost? Less than a penny per customer.

Do you run a department store? A hotel? A small store? Learn how Carrier Air Conditioning pays for itself... regardless of the size of your business.

• WHAT DEPARTMENT STORES KNOW. Filene's, Boston, and J. L. Hudson, Detroit, found Carrier Air Conditioned departments showed such de-

cided sales increases that both of these great firms Carrier Air Conditioned their entire stores.

• WHAT HOTELS KNOW. The little Merced Hotel in California rented cots in the hall at a premium because of its Carrier Air Conditioning. The Hotel Carlton in Washington established waiting lists to meet the demand for rooms with cool,

fresh, quiet comfort provided by Carrier Air Conditioning.

• WHAT SMALL STORES KNOW. Judd and Parsons, busy corner druggists in Buffalo, know that within the year after installing Carrier Air Conditioning, 8,000 more people per month came into their store. That the average purchase increased by 30%.

Call in your local Carrier trained man. Let him offer you the knowledge and experience Carrier has gained through 36 years devoted exclusively to air conditioning. He will give you proof positive that Carrier Air Conditioning pays a profit. But act now! Be ready for the first warm day. Send the coupon now.

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Without obligation, send me complete information on Carrier Air Conditioning for my store; office; factory; home.

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Profitable? One Carrier System led to 4 in Skellern's, Dallas chain



Employees too! "Carrier is tops," says clerk in J. L. Hudson, Detroit.



"Soilage Cut 75%" says Mr. Chevalier, Lane Bryant, Phila.



16 "Sell-outs" Every Day for Newsreel Theatre, Newark, N. J.

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THE BUSINESS OUTLOOK

BUSINESS and the markets had to contend at mid-week with two pieces of news whose significance could not be fully appraised at once, but which distinctly dampened current opinion. The failure of a New York brokerage house, fortunately a rare event, would be bad news at any time, and in this case it threatened to be much worse than usual. The bright side is that only one firm appeared to be involved. The Interstate Commerce Commission rate decision awarded an increase below what had been expected, and preliminary calculations put the net benefit to the railroads at somewhere between 40 and 50% of what they had asked in their original application. Superimposed on stock and commodity markets which had been drifting downward for two weeks, the net effect of the two developments, taken together, seemed hardly likely to be favorable.

Steel Production Sustained

Production indexes, meanwhile, have held their ground or taken a favorable turn. Steel activity as a percent of capacity remains this week in the 29-31% range it has held for the past six weeks, rising in fact from the bottom to the middle of this range. Automobile schedules have been lifted in certain instances, and, although last week's output was below that of the week before, in spite of the holiday contained in the latter, a rise of something like 10% is expected in the current period. No pronounced change was shown in two other major indexes representative of general business activity last week—electric power output and carloadings.

Effects of Rail Decision

The full significance of the ICC decision was not clear at once. In spite of general disappointment at the moderate rate increase granted, it is the private opinion of some railroad officials that anything more than a 10% advance would have tended to divert traffic.

Purchases by Railroads

Another angle is the possible effect of the decision on buying of steel. It is fundamental to a consideration of this point that in many instances the purchase of new equipment would be a cost-saving operation. In view of the decline in traffic, it is doubtful whether significant purchases of rolling stock

are to be expected in any case. More likely, anything of the kind will have to await the outcome of the President's forthcoming conference on the railroad problem, whereas larger purchases of rail and track materials need not wait. In any event, one of the uncertainties delaying railroad buying is now out of the way. There remain to clear up: the Administration's attitude to receiverships and to the whole rail problem, the price of steel, and the course of spring traffic.

Leading Steel Buyers

This week *Iron Age* made public its annual survey of the distribution of finished steel among consuming industries, showing a striking change in the order of steel buyers during 1937. For the sixth year the automobile industry was in the lead, taking 17% of the total. Railroads took 12%. The change occurred in third place, now occupied by the container industry, with 10%, while building, at one time easily the largest consumer, dropped for the first time to the fourth rank, with 8%.*

Outlook for Building

Evidently a recovery in building is essential to the recovery of the steel industry. During the first two months of 1938, construction contracts awarded, as reported by the F. W. Dodge Corp., amounted to \$315,000,000, or 27% below the \$431,000,000 of a year previous, and well under half the \$785,000,000 average for the period of the building boom, 1925-29. Breaking down the total, public works and utilities have actually increased over 1937, while, at the other extreme, residential building is down by fully 46%. In a few weeks it will be possible to make something better than a mere guess as to the outlook for the government's housing program and for the spring building in general.

Selling Used Cars

The largest consumer of all, automobiles, has shown an even sharper decline from 1937, but in this case 1937 was close to the all-time peak. In January and February automobile production was 433,000, as compared to 783,000 in the same period of 1937, a decline of 45%. At the time of writing, preliminary reports predicted some success in the National Used Car Exchange Week drive, but, again, the outlook cannot clear up before spring is well advanced. If, as is quite likely, March shows an output of 300,000 cars,

the improvement will be nearly three times the normal expectancy as estimated in recent years by the Federal Reserve Board.

Steel and Auto Prices

The forecast of an eventual cut in steel and automobile prices, which has not been fulfilled to date, still stands. In the present unsettled condition of business and business confidence, the steel companies feel that a cut would not stimulate buying. When the upturn seems to be at hand, and a reduction can be made that promises to be more than pouring water into a bottomless well, it will probably be made. A cut in automobile prices is likely to follow almost automatically.

Pay Less for Tires

In another field the equivalent of a partial price cut has been made. The tire companies have notified their branch managers to increase the discount to commercial accounts from 13½ to 20%. This step is in line with Sec. Morgenthau's suggestion that the public should receive the same benefit as the Treasury, which, after throwing out identical bids on an order last fall, received revised and much lower bids on a later order in February (BW—Feb 12 '38, p26).

F. D. R.'s Strategic Retreat

Last week-end business had to digest President Roosevelt's press conference declaration that the aims of the New Deal remained unchanged. To interpret this as the end of a breathing-spell, after only a few breaths had been drawn, would be far-fetched. Allowance should always be made for political necessities. It is not aims, but methods, on which business and the Administration have been at loggerheads. Washington appears to be in a period of transition; factions in the government are bitterly fighting any "retreat," but a strategic retreat on some fronts, covered by rallying-cries to supporters, is not unlikely. This should remain broadly true even if there is a renewal of investigation or oratory as a result of the brokerage failure or if the Tennessee Valley Authority internal feud results favorably to the radical group.

Improvement This Month

Our forecast for the spring, which is now at hand, remains the same—a pick-up in business activity starting this month and carrying further in April and May.



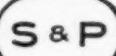
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BUSINESS WEEK

MARCH 12, 1938

Railroad Salvation Up to F.D.R.

Meager rate increase by Interstate Commerce Commission does not solve problem. President in coming conference may demand consolidation.

WHEN the Interstate Commerce Commission this week granted only 45% of the freight rate boost the railroads wanted, it came nowhere near solving the railroad problem; rather, the ICC made it incumbent upon the roads—if they are to stay in the black this year—to seek some salvation other than higher tariffs.

Immediate opportunity is the President's railroad conference scheduled for the coming week. He hopes to compound a formula whereby the carriers will become financially self-sufficient despite the low level of current traffic. To that end, consolidation and coordination of facilities will be suggested.

Whether the railroads will be able to come to an agreement on voluntary cooperation—something Commissioner Eastman has harped upon—is a question defying a pat answer. In effect, coordination implies that money-making roads must help out weak roads.

Ultimately, if no ready solution can be found, the President may ask Congress for legislation which will force the railroads to consolidate. As a threat, the President can hold over the head of railroad conferees the persistent demand that all roads be combined into one system—with or without the unwanted benefit of government ownership or control.

The Problem Is Declining Traffic

At bottom, the railroad problem is not rates, but declining traffic. Ever since 1929, the number of carloads of freight has been dropping steadily. Shifts in transportation methods explain this in part. The truck has become a vigorous competitor; and because of rate differentials, heavy commodities, which formerly moved by rail, have taken the water routes. Gross revenues fell more than 50%, from \$6,279,000,000 in '29 to \$3,095,000,000 in 1933. There has been only a 35% recovery since.

The railroads, at the beginning of last year, seemed out of danger. Traffic was well above 1936. Then, increased wages, higher costs of materials, and enlarged Social Security taxes (*BW*—Dec 18 '37, p14) ate into earnings. Finally, towards fall, traffic began to drop precipitately. As early as July, net operating income cut under the 1936 level, and it has been getting acceleratingly worse month by

month in comparison with the preceding year. Decline in traffic caused the ICC commissioners to reiterate that higher tariffs alone would not save the roads.

After three years of deficits, the class I roads squeaked into the black in 1935, and the following year really went to town with net, after fixed charges, of \$165,000,000. That glory, however, was short-lived. In 1937, despite a fair gain in gross (to around \$4,175,000,000), net fell to \$90,000,000, and fixed charges were covered by the unimpressive margin of only 1.16 times.

But now, carloadings are well below the corresponding period of 1937. In the first eight weeks, they were off 19%, and in more recent weeks the discrepancy has been even greater. Allowing for some more than seasonal improvement in traffic from current levels over the rest of the year, and allowing about \$165,000,000 for the boost in

Wall Street Headline



Underwood & Underwood

RICHARD WHITNEY

IF the ICC's decision on freight rates was the most significant business story of the week, the most dramatic was the failure of Richard Whitney & Co., the Wall Street firm headed by the five-time president of the New York Stock Exchange, brother of a J. P. Morgan partner (see page 55 for details). Mr. Whitney assumed full personal responsibility for the firm's collapse.

freight rates, gross revenues for 1938 hardly are likely to get much beyond \$3,750,000,000. Reduced to net, that would produce a deficit in a range of \$100,000,000-to-\$150,000,000.

The prospect is no happy augury for near-term buying of railroad equipment. Urgent requirements, such as rails and ties, will be purchased as a matter of course. But big replacement programs (involving freight cars and locomotives), often mentioned in poetic terms of a billion dollars or more, are highly improbable now that railroad men realize that they'll finish the year in the red—unless business and traffic takes an unexpected spurt.

Interstate truckers, subject to the Motor Carrier Act, have also suffered from the recession, and now seem willing to adjust their rates upward on "short notice." That, at least, indicates that the truckers will not try to improve their competitive position by capitalizing on the higher rail freight rates. Water carriers, too, are expected to hoist tariffs.

Unwelcome to Shippers

All of this is not palatable to shippers. Generally, it means a markup in prices at a time when consumers are not rushing in to buy. Miscellaneous and manufactured goods bear the brunt of the burden with a 10% boost. There's no change in bituminous coal rates; anthracite goes up 10¢ a ton—not enough to bother consumers seriously; most farm and livestock rates go up 5%.

The ICC set July 31 as the latest date for instituting the rate changes. But railroads are expected to put in the new tariffs as soon as possible. They may do so on 10 days' notice. In its haste to get the decision down, the ICC deferred action on the plea for a passenger coach fare rate of 2½¢ a mile, as against the current tariff of 2¢.

One effect of the rate decision will be to stimulate some buying—probably in consumers' goods, such as packaged foods and drugs. These lines are not overstocked and the inventories will keep. But in lumber, zinc, cement, and other heavy materials, some anticipatory orders have already been filled; and most purchasing agents are not apt to become overenthusiastic until the business outlook improves.

In the stock market, the announcement was greeted lackadaisically. Rail shares had amply discounted the limited boost and sold off slightly. The next fillip in rail stocks and medium-grade bonds—if any—will probably wait on either the President's conference or signs of a definite traffic pickup.

TVA: Its Brawls and Bargains

Investigation is considered certain, in view of charges and counter-charges. Utility companies receive new offer to buy their properties.

THE LONG-DRAWN-OUT BATTLE in the Tennessee Valley Authority's directorate this week lost all semblance of dignity, degenerating into something pretty close to a back-alley brawl. Now it's a question of how far Congress will go in probing the bitter charges and counter-charges, how far President Roosevelt will go in attempting to reconstruct executive personnel, how far TVA will go toward making peace with its privately owned electric competitors, and how far budding scandals will go toward permanently smirching the country's most ambitious power-and-planning project.

This week's rapid-fire developments diverted attention from the one thing that is vitally important to business and securities holders—the forthcoming conferences for purchase of private power companies by TVA. Yet the blow-off resulting from irreconcilable personal differences may ultimately prove the deciding factor in drafting a more tangible policy for the half-billion dollar Tennessee Valley program.

Dispute Brought into Open

The atmosphere is cleared at least to the extent that the controversy has been brought out into the open. The opinion of the Comptroller-General's office that TVA has misspent some \$5,000,000 since the beginning of 1934 now is a matter of public record; allegations that two of TVA's directors were parties to "deals" have been voiced aloud after months of whispering.

As frequently pointed out by *Business Week* in the last year, the internal

schism in TVA was bound to wind up in some such ruckus as has occurred. In 1936 Dr. Arthur E. Morgan, TVA chairman, threatened to resign if David E. Lilienthal were reappointed to the board. President Roosevelt calmed Chairman Morgan, reappointed Lilienthal (*BW*—May 23 '36, p12).

Division of Labor

But the trouble didn't start or end there. The three-man board was formed in 1933, and each member was given a definite job: Arthur Morgan was to build the dams to harness the Tennessee River; David Lilienthal was to whittle the electrical yard stick; Harcourt A. Morgan (no relation to the chairman) was to develop fertilizer production and improve land use.

Work started with a bang. But when pressure eased off a bit, the directors discovered that each had established his own little department. It wasn't a board of three but three separate organizations. So it has continued ever since.

The fundamental incompatibility of temperaments soon became evident. Arthur Morgan is an engineer, a precisionist, a man of such high principles as to warrant, at times, the term idealistic. Lilienthal is a lawyer, an opportunist, and a fighter less inclined to consider the justification of his acts than their legal defensibility. Harcourt Morgan is a local boy who has been shrewd enough to play his balance of power for all it has been worth for the benefit of his state and region. His interest is in agriculture and nothing else.

The three-headed nature of the organization inspired antagonisms. Dr. Morgan developed an increasing dislike for Lilienthal's independence on power plans and the rapidly developing squabble with the utilities. He kicked the lid off, a little over a year ago, when he published his opinions on what the method of dealing with the public utilities should be, and got himself smacked down by President Roosevelt (*BW*—Jan 23 '37, p13).

Since that time, the chairman has been more and more convinced that nothing but a Congressional investigation could rectify things. He finally stopped attending board meetings, giving Lilienthal and Harcourt Morgan their heads. He long considered resigning (as the Lilienthal-Morgan blast given to the press by President Roosevelt this week said he should have done before taking his grievances to the public). But he decided he could do more for what he considers TVA's real objects if he directed his battle from his official position.

Inquiry Deemed Certain

His intention to toss a major scandal into the lap of Congress came to the ears of the Lilienthal protagonists. Sen. Norris, chief utility hater, and daddy of TVA, anticipated him by undertaking to get the Federal Trade Commission to investigate. Chairman Morgan's friends retaliated with the assertions that Norris sought a whitewash and that the investigation should be independent. They're still shouting at one another, and a probe is certain. President Roosevelt's entry as "judge" in the dispute won't ward it off.

Congressional appetites have been whetted by Morgan's charges that the other two board members paid an exorbitant price for phosphate lands bought from International Agricultural



Wilson Dam, TVA's first, and the leading figures in the fight over TVA's power policy. Left to right, inset. Dr. Arthur E. Morgan, Harcourt A. Morgan, David E. Lilienthal, Sen. George W. Norris, and Wendell L. Willkie.

Tax Rebellion

Debate on the revenue bill in the House took an unexpected turn this week. Instead of a rubber stamp attitude, Congressmen stomped and specified and made things look bad for the pet demands of the President.

They rebelled particularly against the "third basket" tax which would impose a special 20% surtax on retained earnings of closely held corporations. The formula to determine a "closely held corporation" is based on (a) number of persons in control and (b) percentage of ownership. Here is the way it would work:

No. of Persons in Control	% of Stock Owned
1	More than 50
2	More than 53
3	More than 56
4	More than 59
5	More than 62
6	More than 65
7	More than 68
8	More than 71
9	More than 74
10	More than 75

If one person and his blood relatives (whole or half brothers and sisters, spouse, ancestors, and lineal descendants) own more than 50% of the stock of a corporation, that company is subject automatically to the third basket levy. In other words, if a family owns more than 50% of a company's stock, it is deemed to be an individual. But if "control" is distributed among more than one family, then the definition of an individual as a family does not apply. Each individual owner then counts as one person.

A first-basket tax applies to corporations with income of less than \$25,000 (*BW—Jan 22 '38, p17*), and calls for no retained-earnings tax.

A second-basket tax applies to corporations with incomes of more than \$25,000 and includes a modified undistributed-earnings tax (*BW—Mar 5 '38, p13*), but there is a special formula for corporations with incomes of only slightly more than \$25,000.

In an effort to make it easy for corporations to escape the rigors of the retained-earnings tax, even in its emasculated form, the House has devised what it called a "consent dividends credit." Under this provision, if stockholders consent to pay a tax on dividends, whether distributed directly or just permitted to accrue, corporations can claim a dividends-paid credit. That represents a recognition of the difficulties which prevailed under the Revenue Act of 1936 in determining what was and what was not a taxable dividend (*BW—Dec 11 '37, p46*).

The bill as planned will provide definite relief from the undistributed earnings tax. Though it will not be retroactive to cover 1937, it will apply to taxes for years "beginning after Dec. 31, 1937."

Big surprise was the action of the House in voting down publicity on salaries of less than \$75,000—despite the specific request of Mr. Roosevelt. The House suddenly seemed to feel that this was its bill and that there was no point in letting Senators get all the credit for making changes—especially in an election year.

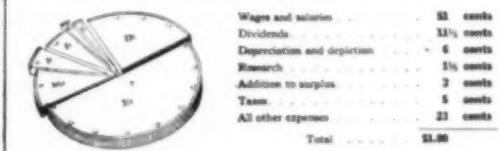
On the right is a typical page from the Johns-Manville report to the company's "jobholders." With simple charts and straightforward copy, workers are shown just what happened to the money the company made by processing raw materials. No undue emphasis is put on any item, but naturally most interest centers on the 51 cents of every dollar that goes for wages and salaries. On other pages workers are told just what kind of a year the company enjoyed, why the company needs money for expansion and research, and what the company plans for the future. It's a thoroughly humanized report to the workers.

Jobholders' Report

Here is what happened to the \$39,861,579 which we added to the value of the raw materials and products bought for resale after they reached our plants . . .



Summing up then, cash of the \$39,861,579 we added to the value of the raw materials and products bought for resale was divided in this way:



J.-M.'s Labor Report

Booklet explaining company's situation is sent to 11,242 employees of Johns-Manville.

JOHNS-MANVILLE'S "report to jobholders" this week spotlighted a relatively new trend in industrial public relations. Noting the comprehensive job done by the big building materials firm, observers recalled other such moves, and generally forecast wide adoption of the policy. Last Aug. 7 *Business Week* said:

"The day is not far distant when management will make regular reports of company earnings, future prospects, need for reserves, and so on to the working man in terms he can understand. A few companies already are doing this; have been doing it for some time. Labor is being taken into the employer's confidence—with excellent results."

Johns-Manville didn't stop over paternalistically in its 18-page booklet to 11,242 jobholders. It collected all the financial figures and explained them as simply as possible to factory workers, engineers, salesmen, office workers, and supervisors. Beyond mentioning that collective bargaining contracts were signed at seven of the 13 Johns-Manville plants and mines during 1937, the company didn't argue about labor contracts one way or the other.

Its report followed close on a similar effort by Bethlehem Steel, which made its "Annual Report to Employees" in a special issue of its company magazine two days earlier.

Flood's Effect on California

Railroads and farms are main losers, but replenished water supply may help agriculture in long run. Flood control systems protect industry.

BUSINESS and industry emerged this week from the ravages of southern California's flood to find that, with the exception of the railroads and agriculture, comparatively little loss had been suffered. Los Angeles County's \$50,000,000 investment in flood control systems proved its worth. All flood control dams withstood their greatest test, and were chiefly responsible for the fact that the city's factories, oil refineries, motion picture studios, and other industrial operations went practically untouched.

Travel and communication companies resumed service early in the week throughout most of southern California as the five southern counties speeded clean-up and rehabilitation, a process which in itself is creating jobs and business. An area of 30,000 square miles in Ventura, Los Angeles, Orange, Riverside, and San Bernardino Counties is chiefly affected by the rains of Feb. 28 and March 1 and 2. About 5,600 homes were demolished or damaged.

Retail Trade Suffers

Demolished bridges, earth slides, flooded highways, and disrupted land lines of communication companies isolated southern California as a whole and many large areas individually. Retail business suffered heavily for 24 hours.

Water, gas, and electric supply to some areas of San Bernardino and Riverside Counties suffered extensively. Inconvenience, rather than property loss, was experienced by most southern Californians.

The three railroads serving the southern counties suffered property damages

of about \$5,000,000. Heaviest losses were from cessation of freight and passenger revenues not yet determined. Industry began moving its products to market and to receive its raw materials on March 5 to the north and east via San Francisco. Air lines, after curtailing flights during storms and while landing fields were under water or unreachable, resumed regular schedules Sunday.

Steel Tower Collapses

Interruption of electric, gas, and street railways was local. The companies were unable to serve San Bernardino and Riverside Counties for a time. Los Angeles' electrical service was cut when one of the 2,600 steel towers on the Boulder Dam transmission line of the Los Angeles Bureau of Power and Light collapsed in a torrent from a mountain canyon. Damage to the entire Bureau of Power and Light system, however, was only \$90,000. Service to the city was maintained from steam plants, which likewise carried the Pasadena, Glendale, and Burbank loads. These cities normally use Boulder power.

Damage to properties of the Southern California Edison Co., which serves the entire flood area except the four cities using Boulder power, was between \$100,000 and \$150,000. Service suffered no system-wide interruptions. None of the company's substations was without energy during the storm and flood period. Total damages to distribution lines, from washouts of poles and falling trees, was \$40,000. Principal damage to the company's properties is in hydro-electric works in mountain canyons of eastern Los Angeles and San Bernardino Counties. Only two of the

plants were damaged structurally. Damage to others was caused by water, mud, and débris in power houses, damages to headworks and diversion dams and to company roads.

Hollywood's motion picture industry suffered comparatively little. While loss was caused by interrupted production, actual property damage at the studios was less than \$150,000, largely to damaged sets.

The oil industry was practically undamaged either in refineries or production fields. Increased costs of trucking crude oil were about the only loss.

Industrial plants of the Los Angeles metropolitan area counted their greatest loss in delayed production through inability of workers to get to their jobs, shutdowns due to interrupted fuel supplies, and delayed shipments of goods.

The flood's effect on agriculture is



IT'S MUD, NOT WATER, immersing this abandoned car on a Hollywood street.

still problematical. Large farming areas were inundated, particularly in Orange and Riverside Counties. The loss in livestock and poultry is heavy. The greatest damage to the citrus growing section of these two counties and San Bernardino County was in eroded groves. Citrus losses in Los Angeles County alone reached \$260,000. The picking and shipping of navel oranges was at a standstill for five days. Half of Los Angeles County's first strawberry crop of the year was destroyed. Avocados were hard hit.

Farm leaders emphasize that losses to farms (and the California business man has a big stake in them) will be more than offset by a reduction in profitless farm surpluses and especially by improved irrigation water conditions from replenished underground pumping basins and reservoirs filled to capacity.

The San Joaquin Valley, to the north of Los Angeles, also visited by floods during the same period, suffered its principal losses in flooded farm lands.



WATER EVERYWHERE—Before the flood began to recede, airline passengers had this view of inundated homes, orange groves, and highways at Anaheim, Calif.



CAPT. EDDIE RICKENBACKER

With \$3,500,000 in cash, he succeeded in keeping Eastern Air Lines.

Eastern Air Sold

Rickenbacker retains control of transport line, and stock offering is expected.

CAPT. E. V. (EDDIE) RICKENBACKER, America's No. 1 wartime pilot, this week was still in control of the strategic Eastern Air Lines, despite efforts of interests allied with Transcontinental & Western Air (Lindbergh Line) to take it over.

Rickenbacker, supported by the banking firms of Smith, Barney & Co. and Kuhn, Loeb & Co., outbid John Hertz, of Lehman Bros., to acquire Eastern Air from North American Aviation, Inc. Rickenbacker, as a director of North American and as operating head of Eastern Air, had the inside track. But in the end it was money that talked.

Smith, Barney & Co. and Kuhn, Loeb bid \$3,500,000 cash for the pivotal Eastern Air routes along the Atlantic seaboard. The T.W.A. consortium, headed by Mr. Hertz, offered \$1,000,000 in cash and \$2,250,000 in notes.

Operates at Profit

Rickenbacker will head Eastern Air as an independent system, after it is divorced from North American. In addition to seaboard routes, Eastern runs planes from Chicago to Miami and from Atlanta to New Orleans and Houston. Its connections with Pan American Airways, which Eastern serves as a feeder, have proved advantageous. Indeed, Eastern is one of the few air transport lines to operate at a profit. Report for 1937, just out, reveals net income of \$197,000 on an employed capital of \$2,600,000.

After a series of legal steps, the Smith, Barney and the Kuhn, Loeb banking groups will place stock of a newly formed Eastern Air Lines corpora-

tion on the market either by semi-private or public offering.

But first, North American Aviation shareholders must approve the sale. A meeting has been called for the end of this month to put the proposition to a vote. As General Motors Corp. owns approximately 30% of North American stock, and as G.M. officials were consulted, it is expected that the necessary votes will be mustered.

North American will then set up Eastern Air Lines as a separate corporation, will register the stock of the new corporation with the Securities & Exchange Commission, and then Smith, Barney & Co. and Kuhn, Loeb will go through the formal motions of buying this stock. The securities markets being willing and the legal technicalities satisfied, the stock will be distributed along about April.

Purposes Served by Sale

Sale of the Eastern Air properties by North American accomplishes two purposes: (1) provides North American, which specializes in the manufacture of war planes, with additional capital for expansion—in preparation for a heavy rearmament demand from the United States government; (2) frees Eastern Air from a doubtful status under the laws covering air mail contracts.

Under present statutes, no air mail contractor is permitted to own stock in a manufacturer of planes, or vice versa. North American escaped this provision on a technicality. Eastern Air was an integral part of North American; it was (and is) not a separate corporation.

Hence, though there was duality of control, there was not duality of stock ownership.

By putting in his successful bid, Capt. Rickenbacker probably saved the government a lot of trouble. Washington, either for anti-trust or airmail reasons, might not have looked kindly on a combination of or a working agreement between Eastern Air and Transcontinental & Western.

Small Exchange Aid

SEC wants to strengthen interior markets to help small business men in raising capital.

EACH month the Securities and Exchange Commission puts out a mimeographed release on volume of trading on securities exchanges. It's a harmless looking document, but it's full of foreboding for the small out-of-New York City stock exchanges.

The January report, for instance, reveals that the small markets have not improved their position. They are getting only a measly 4.4% share of the total exchange business of the country. The New York Stock Exchange and the New York Curb Exchange gobbled up 95.6% of all sales during the month. Although this situation is essentially what it was nearly two years ago, when *Business Week* called attention to the fact that the small exchanges were getting only 4% to 5% of the total volume (*BW*—May 16 '36, p37), concern over the interior markets' struggle for exist-

Lean Pickings for the Interior Stock Exchanges

(New York Gets 95+% of the Nation's Security Trading)

Registered Exchanges	Stock and Bond Sales, January, 1938	% of Total Sales
Baltimore Stock Exchange.....	\$624,927	0.057
Boston Stock Exchange.....	15,255,834	1.403
Chicago Board of Trade.....	29,988	0.003
Chicago Curb Exchange Assn.*.....	26,647	0.002
Chicago Stock Exchange.....	7,302,939	0.671
Cincinnati Stock Exchange.....	339,542	0.031
Cleveland Stock Exchange.....	598,990	0.055
Detroit Stock Exchange.....	3,463,116	0.318
Los Angeles Stock Exchange.....	5,139,279	0.472
New Orleans Stock Exchange.....	79,590	0.007
New York Curb Exchange.....	70,430,197	6.475
New York Stock Exchange.....	969,324,950	89.116
Philadelphia Stock Exchange.....	5,271,954	0.485
Pittsburgh Stock Exchange.....	2,185,920	0.201
St. Louis Stock Exchange.....	435,609	0.040
Salt Lake Stock Exchange.....	194,163	0.018
San Francisco Curb Exchange.....	1,362,240	0.125
San Francisco Mining Exchange.....	54,569	0.005
San Francisco Stock Exchange.....	5,469,678	0.503
Standard Stock Exchange of Spokane.....	34,061	0.003
Washington Stock Exchange.....	90,520	0.008
Total	\$1,087,714,713	100.000

* SEC permission granted to cease trading.

Data: Securities and Exchange Commission

Business Week

ence has increased—particularly the SEC's concern.

The problem of the small business man, which stirred Washington several weeks ago, has added urgency to the SEC efforts to do something for the small markets. The commission hopes to help small business men finance their requirements through local investors, by fostering vigorous interior exchanges, on which to buy and sell the stocks and bonds of local enterprises.

Ganson Purcell, director of the SEC's trading and exchange division, made particular point of this capital-raising function of the small exchange in an address in Boston last week. He declared that the interior market should not strive to become a primary market in competition with New York exchanges, but should rather try to develop local business in order to increase volume.

Possible Lines of Action

Three courses of action are open to the smaller markets:

1. To enlarge the number of issues traded in through an active effort to induce companies with regional ties to list securities on the home exchange rather than elsewhere.
2. To make an effort to obtain unlisted trading privileges in national issues in which there is a considerable local interest.
3. To compete with the over-the-counter markets by persuading local corporations to list their shares on the home exchange.

The decreased speculative activity has been hurtful to the small as well as the large exchanges. Though the small markets have held on to 4% or 5% of the country's business, the aggregate has been declining, and the consequence has been that commissions have fallen off woefully.

Only recently the Chicago Curb Exchange Association voted to close. Reason: lack of business and four consecutive years of deficits.

Exchanges Fight for Life

The Boston Stock Exchange, for some time, has been advertising its facilities—something strangely aggressive for staid New England's financial tradition. And the Chicago Exchange has undertaken an active campaign to keep midwestern companies "at home" (BW—Oct 10 '36, p22).

Both Boston and Chicago classify as exchanges in larger cities—and they are in a hard fight for existence. Certainly their plight raises the question of whether the SEC—no matter how hard it tries to foster the small exchange for the benefit of small company financing—will be able to stem the trend toward New York. When a local company gets big, it tends to move to the big city market.

How Sliding Wage Scales Work

Americans haven't much experience with them, but they are plentiful in Britain. Some are tied to cost of living, others to price of product.

If management—or labor—is going to ask for a sliding wage scale in its new contracts, how is the scheme to operate?

There are a few examples of sliding wage scales in operation in this country. *Business Week* has pointed out the main features of the generation-old Anaconda contract and the slightly newer contracts entered into by the Amalgamated Association of Iron, Steel & Tin Workers, which is affiliated with the Committee for Industrial Organization (BW—Feb 12 '38, p13), noting especially that in both cases wages by contract fluctuate with price changes—of copper in the case of Anaconda, and of steel bars in the case of the steel workers.

Great Britain has more than 60 years of experience with sliding wage scales, and has tried a variety of schemes in a number of different industries.

British coal miners first hit on this idea of a sliding scale in the early 1870's. They were battling with mine

owners for higher wages which they thought were commensurate with soaring coal prices, and with presumably mounting profits. Owners argued that it was a temporary condition, and finally agreed to a contract in which wages would move with the price of coal—both up and down.

Basis for Sliding Scale

Britain's coal industry has stuck to the sliding scale wage ever since. Today's wage rates in most of the coal mines are still flexible, but the basis for the sliding scale has changed. Instead of being tied to the selling price of coal, it is based on the income of the industry on a regional basis.

An auditing committee is formed of workers and employers. They agree on a certain period, the income during which is to be made the basis for comparison. From the total proceeds of the industry in the specified district during

"Radio Nurse"



ZENITH Radio Corp., Chicago, this week cleared up curiosity created by a teaser advertising campaign forecasting marketing of a new product. The new device, known as "Radio Nurse" and developed by Commander E. F. McDonald, Zenith president, is intended to pick up the slightest audible sound in one room of a house and transmit it to another. It consists of two small units, transmitter and receiver, which are put into operation by simply plugging into the nearest light socket.

Chief uses of the new device, in the opinion of Zenith officials, will be the care of children and invalids. With the "ear" unit placed in the nursery, a mother can

plug the "voice" unit into a socket of any other room in the house and hear any sound made in the nursery—a cry, the opening of a window or door, or even the child's breathing. With the "ear" unit beside an invalid's sick bed, requests may be transmitted to another room without the patient even changing positions.

Commander McDonald developed the device on his laboratory yacht, the *Mizpah*, to be able to hear the voice of his baby daughter when she was left temporarily alone in her stateroom. Proved practical on the *Mizpah*, commercial production was begun about 30 days ago, and the device will be ready for retailing next week.



A. C. ERNST, Managing Partner, Ernst & Ernst, nationally known Certified Public Accountants. Respected for his professional attainments and honored for his humanitarian accomplishments, Mr. Ernst's great enthusiasm is for his home city, Cleveland. He is President of the Cleveland Chamber of Commerce, Trustee of Case School of Applied Science and of the Cleveland Museum of Natural History, a Director of the recent Great Lakes Exposition and of the National Air Races and identified with many other civic, educational and charitable organizations. Mr. Ernst's career has required extensive and continuous travel both in this country and abroad. Above: Mr. Ernst discusses hotel service with a Statler research executive.

WHEN a guest visits a hotel, that's important to both—but when the hotel does the visiting, that can be important to every traveler.

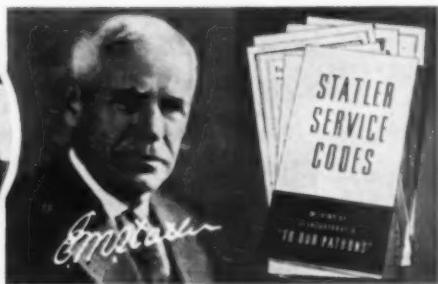
By visiting thinking people in business, public and private life, Statler research executives keep in touch with the basic needs of the traveling public—learn at first hand of new ways to serve their communities as well as individual guests.



How Statler Applies its "Guest Facts"



A "Guest-Fact" to Statler executives is any fact about the opinions, desires or habits of the traveling public. "Guest-Facts" are gathered by survey, interview and day-to-day contact with more than 7,000,000 guests per year.



Over 25 Years Ago, E. M. Statler "invented" modern hotel service in his famous Service Codes. They taught hotel people to think from the GUEST'S POINT OF VIEW.



Service Problems are as new as today's menu. Below: A group of Cafe Rouge waitresses in New York's Hotel Pennsylvania gather for their daily class on pleasing Statler guests.



Habits Change and Statler changes with them. Here you see a Statler bathroom being equipped to meet a new need—convenient outlets for the electric razor.



"A Good Night's Sleep" tops every Statler survey as the chief function of a hotel. Statler takes mattress building seriously; has developed one of world's finest mattresses.

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CLEVELAND \$3.00 BUFFALO \$3.00
(Also Hotel Buffalo \$2.00)

BOSTON \$3.50

NEW YORK
(HOTEL PENNSYLVANIA) \$3.50

Room rates begin at prices shown.



What's coming out of Washington? What's going to happen in Europe—in Asia? Is "recession" or prosperity just around the corner?

Frankly, we don't know! But the fellow who thinks this country is ever going to be licked, just doesn't rate as an American. In nearly sixty years of piloting our business, we've encountered all sorts of weather—placid seas, dead calms, sudden squalls, hazardous hurricanes. Through it all we hold to our course and plow ahead—building Turret Lathes.

We Preach Modernization—and We Practice What We Preach

To make Warner & Swasey Turret Lathes better, we have just bought new, up-to-date machine tools—a lot of them. We've set our course and are holding to it. How fast we go depends upon the steam pressure of orders. We believe that, come what may, no manufacturer can go wrong at any time, under any regime, by producing better work at lower cost.

We've hung our hat over the political barometer to cover it up. We've placed our orders—and we are asking for your orders! We're driving ahead!

**WARNER
&
SWASEY**
Turret Lathes
Cleveland

You can turn it better, faster, for less...
with a Warner & Swasey

the base period, all costs of production other than wages are deducted. A fixed percentage of the balance (usually 85% to 87%) is then allocated to wages. In some contracts, adjustment to this predetermined base is made at prescribed intervals; in others, it comes only when workers' and owners' committees agree that an adjustment is due.

Two factors limit the strictly automatic character of the contracts. In almost every district, minimum wage rates have been determined. When income from the sale of coal drops to a point where it threatens to push wages below this prescribed minimum, the downward revision of wages is no longer operative. When surpluses again accumulate, owners who maintain wages at this fixed level are permitted to recover—before increasing wages again—the amount they have paid out.

Steel Industry's System

More than 160,000 workers in the British steel industry have sliding scale contracts with owners. In the case of blast furnace men, wage rates fluctuate with the price of pig iron. Wages for steel melters vary with the price of steel plates.

In its last published report on collective wage agreements, the British government gives the specific terms of one of the iron industry contracts. Wages are based on fluctuations in the selling price of #3 Cleveland pig iron, above or below 50 shillings (about \$15) a ton. For each variation of 3 pence a ton above or below this price, 4% is to be added to or deducted from the standard wage rates. There is a provision in the contract for adjustments, when necessary, at the end of every three months, the new wage rates to become operative as early as possible in the month following the end of the quarter to which the price changes relate.

Cost-of-Living Index Used

In a good many industries where prices on component elements of a finished product fluctuate without any relation to each other, workers and management have often resorted to the cost-of-living index as a basis for automatic wage adjustments. In England, this has been the case in the electrical cable-making business, in steel construction, electrical contracting, civil engineering, and in furniture manufacturing.

Contracts vary by industry, but in general basic wage rates move up or down at the rate of $\frac{1}{2}$ pence an hour for each change of 5 to $7\frac{1}{2}$ points in the government's cost-of-living index.

Each industry is likely to vary its contract according to the type of worker involved. In the furniture trade, for instance, a typical contract covering skilled workers calls for a change of $\frac{1}{2}$ pence an hour for each variation of $6\frac{1}{2}$ points in the Ministry of Labor cost-of-living

index. The scale for women workers shifts $\frac{1}{2}$ pence an hour for each variation of 11 points; but for unskilled workers, the determining variation of the cost-of-living index is 9 points.

In some cases, the change in wage scale occurs automatically when the cost-of-living index had shifted the required number of points. In other cases, the adjustments are made on a quarterly or annual basis. Almost all the recent contracts have some provision for stopping the downward trend at a fixed point.

French Try Sliding Scale

France is just taking up the flexible wage scale. In the labor legislation which was passed last week in Paris, there is a provision for introducing sliding wage scales in the new labor contracts, the wage to fluctuate with the cost of living. Whenever the government's official index shows a variation of 5% in the six months' interval between wage conferences of workers and employers, wages are automatically to be raised. Theoretically, the sliding scale will work in both directions, though actually there is nothing in the bill as it was passed last week to compel labor to accept a downward revision.

The Swedes tried flexible wages a good many years ago, but have abandoned them recently as unnecessary because of the comparative stability of prices and of the cost of living in their country, and because of the close cooperation between management and labor which makes possible arbitration of wage rates when conditions warrant some adjustment.

Many British employers complain that their profits are not always commensurate with rising prices for their products, and that they are not always able to pay higher wages just because they can sell their product for more money. They also complain that a shortage of raw material occasionally pushes the price of their product completely out of line with all other products. And finally that flexible wages have never operated altogether automatically, thus making it necessary to continue to negotiate with labor and always to be faced with the possibility of disagreement.

Workers' Grievances

Workers are likely to find an equal number of complaints. Frequent wage changes are not desired by any group. Stability of work and wages are much more desirable. Labor also claims that it is at a disadvantage when profits rise and prices of its product do not (when wages are tied to selling price rather than to the cost of living). If wages are tied to the selling price of the product they make, workers can complain that individual prices often do not move with the cost of living and that their particular industry may be penalized. Finally, they are likely to fear that man-

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SALES AGENCIES IN PRINCIPAL CITIES THROUGHOUT THE WORLD

agement will refuse to bargain on any point if they have made a contract providing for automatic wage changes.

Neither side can point to the long British experience and say that it has worked perfectly, but both sides may find valuable suggestions from records of comparable industries in England which have tried sliding wage scales.

C.I.O. in Construction

Industrial union on Baltimore tunnel job proves more satisfactory than crafts.

LABOR relations advisers and analysts of the present-day trends in unionization, who customarily seek practical case-history references before suggesting lines of policy, have discovered a branch of the construction trades where industrial unionization is working out better than craft divisions did. The field is tunnel work, and the evidence indicates that the industrial union organizers were not fooling when they hinted that the craft unions' stronghold—construction—could be successfully invaded (*BW—Sep 25 '37, p45*).

Although an isolated job should not be taken as a criterion for an entire class of industry, and although heavy construction is not lath-and-plaster work, the Loch Raven-Montebello water tunnel project handled by the J. F. Shea Co. for the city of Baltimore offers an interesting labor study. *Engineering News-Record* has just completed a survey of the situation, and reaches the following conclusions:

- After a year's trial, the arrangement between a C.I.O. union and the contractor as tried out for the first time on a tunnel job, has produced "not a single note of complaint" among contractor's representatives, engineers, and workmen interviewed.

- Many classifications of work formerly used to define separate crafts have been consolidated, although differentials between skilled, semi-skilled, unskilled, and supervisory still exist.

- There is no seniority arrangement, and any workman may be fired for insubordination or incompetency. Hiring is done only with consent of the union, and laid-off men apply to the union for registration as eligible help.

Arrangement Works Well

All this has been done without written contract, through agreement between the contractor and officials of Local 273, of the Mine, Mill & Smelter Workers. The contractor could drop the arrangement if he wished, but it works so well that observers believe it to be permanent.

Advantages seen in the "one union" plan for such a job include the lessening of disputes between the unions and

the boss and of jealousies among separate unions, and easier handling of men who can be shifted from one task to another. Workmen can count on continuity of employment during the life of the project, because when one type of operations slacks off, another picks up; a competent mechanic or manual laborer can stay with the gang regardless of type of work being done.

The report illustrates the gain to the contractor in this way: all electric current is generated from one diesel plant, where one man per shift can do the overseeing. Under the craft union system, the contractor would be required to hire a diesel man, a compressor operator, a ventilating man, and sundry helpers and oilers.

In this case the dues for membership are higher than usual with C.I.O. unions—\$5 per month, with a \$10 initiation fee. However, each man has a card which transfers him to other C.I.O. locals without further initiation payment, when the job is finished, and a system of death benefits, sickness benefits, and layoff loans covers the membership. The rate of dues (highest allowable under C.I.O. regulations) was voted by the local's membership to provide a treasury for financing organization of other jobs and future arrangements of similar nature.

Rush Tractor Output

Allis-Chalmers puts night force to work, producing its baby tractor.

THE Allis-Chalmers Manufacturing Co. this week put a night force to work in its tractor factory at Milwaukee, stepping up production of its new, rubber-tired baby tractor from 35 to 50 units a day. Commercial production of the new tractor, designed for use on small farms, was begun Feb. 15 and gradually increased. The company is amply toolled for much larger production. It is far behind in orders.

In 1935 Allis-Chalmers brought out the first six-foot combine—then considered a small machine. Almost everyone but the farmer thought the company had made a mistake. The farmer welcomed the smaller machine. There are 2,880,000 farms of fewer than 100 acres in the country. Last year 15,557 combines of six feet and under were sold, against 5,710 measuring over six feet.

Production of Allis-Chalmers five-foot combine—a foot shorter than in 1935—is stepping along at the rate of 105 a day at the Laporte, Ind., factory. There, too, the company is experimenting with a 3½-foot combine, which it expects to bring out next year.

LABOR ANGLES

Two of the C.I.O. arms in highly skilled fields—the Newspaper Guild and the Federation of Architects, Engineers, Chemists, and Technicians—seem to be making hay while the sun hides behind a cloud. The Guild has put over shop-wide contracts in New York and Chicago recently, boosting its stock in smaller cities, and the F.A.E.C.T. is angling for affiliation with the Society of Designing Engineers, which is conducting a referendum on the matter. If the affiliation goes through, F.A.E.C.T. membership will rise to around 10,000, a majority of which is in industrial plants, with scattering representation in government agencies, among unemployed, and on WPA rolls.

* * *

The American Association for Economic Freedom, headed by William Allen White and listing an imposing roster of big names among churchmen, educators, and civic leaders among its members, got behind Sen. Wagner's new labor bill this week and began to push. The bill (*BW—Feb 26 '38, p33*) would enforce Labor Relations Board orders in business holding government contracts, and will gather dust in committee for the rest of this session unless a lot of pressure is put behind it.

* * *

Batting averages of C.I.O. and A.F.L. are holding up well in recent NLRB elections; "independents" seem to be in a slump. Of 29 most recent employee elections conducted by the labor board, C.I.O. entered 25, won 16 for an average of 67%. A.F.L.

entered 14, won 8, averaging 57%. "Independent" unions entered three, won none; in one election the employees voted for non-union status. C.I.O. and A.F.L. were opponents in 10 contests, each winning 5.

* * *

Philip Murray and the Steel Workers Organizing Committee are exasperated by the length of time taken by NLRB in finishing up the Inland Steel and Republic Steel cases. The Republic case is reported to have reached the stage of final typing, but the Inland case (which revolves around the question whether labor agreements should produce signed contracts) has lagged. This week Murray suggested to the board, through the S.W.O.C. attorneys, that it make up its mind.

* * *

The "big store" organization drive is proceeding as Samuel Wolchok of the United Retail and Wholesale Employees (C.I.O.) promised it would after the Macy agreement (*BW—Jan 1 '38, p16*). Wolchok said there would be no hurry, and no strikes if he could prevent them. Continuing negotiations with the department stores, he signed Gimbel's last week, sought further parleys with the other major units in New York City.

* * *

Harry Lundeberg, seamen's union leader on the West Coast who is inimical to both A.F.L. and C.I.O., is setting up a new sailors' labor federation. Called the Seafarers' Federation, it will enroll only seafarers, no land-lubbers.

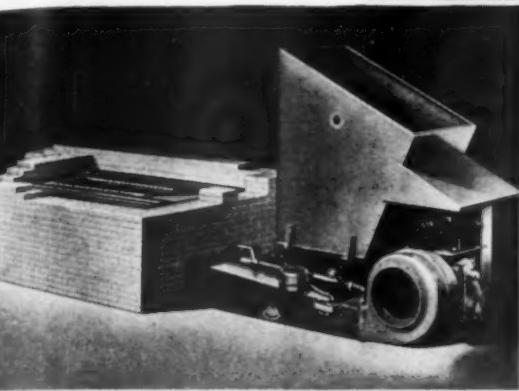
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Yes! Iron Fireman automatic coal firing saves American businessmen millions a year in fuel costs. A one-third reduction in fuel bills with Iron Fireman firing is by no means unusual. Many owners report savings greater than that—and we have their statements available for your inspection. Right in your own community, there are Iron Fireman users who are enjoying these great savings. Let us tell you what Iron Fireman can do for you.

Can You Afford to Waste what Iron Fireman Users are Saving?



CUTS FUEL COST 30% The Corbin Lock Company adopted Iron Fireman stokers in its Belleville, Ontario, plant in 1931. These stokers have been responsible in effecting at least a 30 per cent saving in fuel. "During the coldest weather," says L. E. McLean, Manager, "with temperatures as low as 40 degrees below zero, we maintained even heat through our plant and used only one boiler. Iron Fireman has been most satisfactory in every way."

STEAM COSTS REDUCED 53% The three Iron Fireman Pneumatic Spreader stokers (above) in the boiler room of the Hoopston Canning Co. save \$1540 in fuel costs in a firing season. This plant, in Hoopston, Ill., packs 400,000 cases of corn in a six-week canning period. In this short operating time Iron Fireman cut fuel costs 53 per cent when it replaced hand-firing. "Iron Fireman is the answer to low cost steam," says Walter Trego, Secretary-Treasurer.

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The famous Burroughs Short-Cut Keyboard provides the fastest method for listing, adding and subtracting amounts. Subtraction is as fast and easy as addition.



SEWELL AVERY
Objects to New Deal charts.

Avery Defends Prices

U. S. Gypsum chairman tells stockholders Roosevelt is wrong about plaster.

IN CHICAGO last week, outspoken Sewell L. Avery, board chairman of the United States Gypsum Co., took some assorted smacks at Washington. The scene was Gypsum's annual stockholders' meeting. Things that got smacked were the federal government's attempt to extend and foster easy credit for home building, high taxation, government interference with private business, a statement by President Roosevelt that plaster prices according to his charts are twice as high as in 1929, and the President's "so-called economic advisers."

The Avery smacks came when a stockholder asked whether the President's published statement about plaster prices (*BW*—Feb 26 '38, p 16) was correct. Mr. Avery answered that the President's statement was factually correct but so distorted in implication as to convey an altogether misleading picture of the industry's price structure. He explained that 1929 plaster prices were abnormally low, due to a price war, and added that in 1937 the average price of plaster dropped 1% compared with 1926. The drop, he said, was more pronounced for certain widely used items. For building plaster it was 5% and for gypsum board 8%. U. S. Gypsum common stock dividends in 1937 were \$2.50 a share, while \$1.48 a share went to the government as taxes, Mr. Avery asserted. "Easy credit," he said, "will not be an inducement to build new homes which when built will not be worth what they cost." Then, reverting to the President's comparison of plaster prices, he said he didn't blame the President so much as his "so-called economic advisers."

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process cycle, which runs a series of operations according to a predetermined schedule to produce a product of precise characteristics and qualities.

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Chinatown, My Chinatown!

Those shrewd young Chinese in San Francisco are restoring the old oriental glamorous atmosphere. And they'll do a big job at the Golden Gate Fair.

CHINATOWN, as San Francisco's No. 1 tourist attraction, is a big factor in drawing close to 1,000,000 persons yearly to the city by the Golden Gate where they leave behind them some \$28,000,000.

So when Chinese Factors, Inc., an organization composed of young, American-born, college-bred Chinese, opened headquarters recently in Chinatown, with an ambitious program for making the section even more attractive to tourists, local business and Mayor Angelo Rossi joined heartily in the colorful celebration.

The organization is designed to apply American sales and promotion methods, which the young Chinese have learned in business colleges, to the merchandising of Chinatown's exotic attractions, not only in San Francisco, but eventually in



EAST MEETS WEST—Grant Avenue, in the heart of San Francisco's Chinatown, is a curious mixture of old Chinese and modern American.

New York, Los Angeles, Boston, and wherever there are substantial Chinese settlements able to develop bazaars and restaurants for the delectation of tourists.

Leader of the nationwide group is Chingwah Lee, alumnus of the University of California, who played the Chinese lead in the motion picture "The Good Earth." With him are Chang Ho Gee, the woman manager of the Chinatown branch of the Bank of America (and financial adviser to many of San Francisco's Chinese merchants), and Myron Chang, Philip Fong, and Chin

Lain, three leaders in Chinatown's business life. A monthly publication, *Chinese Digest*, explains the group's aims and methods to several thousand subscribers in the Chinese sections of San Francisco and other cities.

It all began two or three years ago when the Japanese, with aggressive business methods, commenced to crowd out Chinese merchants along the Main Street of San Francisco's Chinatown, Grant Avenue. While the Chinese had been selling goods made in China primarily for Chinese consumption, the Japanese went about finding out what the American tourists wanted to buy and the prices they were willing to pay and they imported oriental merchandise accordingly. The stores along Grant Avenue were fast losing their authentic oriental flavor. They became imitations of American shops, as the older Chinese merchants bowed to defeat.

Cashing In On Racial Individuality

However, they reckoned without the younger generation, skilled in such unoriental subjects as advertising, window display, and merchandising. Instead of imitating their rivals, the young people sought to capitalize on their colorful racial individuality.

Now, along Grant Avenue (where tourists spend some \$5,000,000 annually), Americanized young men, who themselves have forsaken the tongs for business clubs and chambers of commerce, hide their shiny new electric cash registers and filing systems from the spying eyes of tourists, while "out front" the smell of joss sticks and the sight of the age-old abacus (as part of an atmosphere carefully created by students of interior decorating and design) draws customers and eases the flow of money from their pockets.

Going one step further, the group sent delegations to China and induced Chinese manufacturers to produce directly for the Chinatown tourist trade in this country.

As a result, Chinese merchants along Grant Avenue have pretty well won their competitive battle with the Japanese (sympathy with China in the war with Japan has helped, of course) and prosperity has returned for the sons of Han. Receipts of the Chinatown post-office and deposits in the banks have increased appreciably during the last few months. Building and the opening of new business enterprises is also on the upgrade. This improvement is in the face of the general business slump and the collection of large sums to support

the Chinese government in the war; in the face, also, of the fact that the Chinese are tying up much of their capital by stuffing warehouses with Chinese goods against the possibility of a wartime shortage.

The young Chinese group has a seven-point program to make the San Francisco Chinatown an outstanding tourist magnet and eventually to organize their associates in other Chinatowns to work for a similar object. The plan includes: (1) revival of Chinese pageantry; (2) wearing of Chinese garments; (3) creation of Chinese gardens open to the public; (4) conversion of traffic alleys



NEON SIGNS, of oriental design, are playing an important part in renovating Chinatown, particularly in advertising lavish new cocktail lounges.

into picturesque lanes; (5) more rigid maintenance (in San Francisco) of the building code to retain Chinese architecture; (6) changing of street names to conform with the Chinese environment; (7) addition of Chinese architectural decorative elements to all vacant spaces and blank walls.

Chinese Village Planned

When officials of the Golden Gate International Exposition wanted someone to take hold of Chinese representation at the 1939 fair, the young Chinese group tackled the job. Chinese Factors, Inc., took over the development of a \$1,200,000 Chinese Village, selling concessions among the Chinese alone. It promises to be one of the best money-makers at the Golden Gate show and will include theaters, restaurants, several hundred bazaars, a Chinese garden, and a seven-story pagoda. Strolling magicians and minstrels will provide the free shows to lure customers. About 10% of the exposition's total take is expected to find its way into the pockets of Chinese Village concessionaires.

LIGHT

for the roads they're traveling!



★ Nine out of ten men devoting their spare-time to mastery of International Correspondence Schools Courses are studying to improve themselves on their present jobs. Eight out of ten are studying courses in line with their present work.

These serious-minded men are not chasing rainbows. Their inspiration is not the prospect of greener fields over the hill.

The average I. C. S. student has had his share of bumps in the business of earning a living and supporting a family. On his job he has observed that the men who make the most progress are the men who have the most training, and, being ambitious, he decides to acquire more training.

To what better place could he turn than the International Correspondence Schools? In the past 46 years over 4,000,000 other men have found in I. C. S. training that extra something they needed to go ahead on their jobs—to move on and upward to better jobs!

This institution is proud of the success of these men—and proud of the peculiarly distinctive service it renders in the American scene.

INTERNATIONAL CORRESPONDENCE SCHOOLS

SCRANTON, PENNSYLVANIA

New York • Chicago • Philadelphia • Washington • San Francisco
St. Louis • Los Angeles • Boston • Montreal • London
Sydney • Wellington • Cairo • Shanghai • Havana
Mexico City • Honolulu • Buenos Aires • Manila • Cape Town

Frozen Food Booms Higher

Sales increased 60% last year, and now expansion is greater than ever. Stokely Bros., large canner, buys interest in Honor Brand Frosted Foods.

LAST year there was a business recession. Last year the frozen food industry made a gain of 60% over the year before. Retail sales came to \$13,000,000—at a conservative estimate. The number of retail outlets handling frozen foods hopped from 2,500 to 4,500. Production, installation of new freezing equipment, and sales to the institutional trade (hospitals, hotels, steamships, and the like) boomed upwards. That was last year. Now there is a business recession, yet the frozen food industry is expanding more than ever before.

The hottest news on the frozen food front this week was the deal between Honor Brand Frosted Foods, the number two factor in the industry, and Stokely Bros. of Indianapolis, probably the third largest canner in the country. Stokely acquires a minority stock interest in Honor Brand, Honor Brand acquires welcome capital for expansion, and Stokely becomes Honor Brand's principal supplier of fruits and vegetables.

The deal exemplifies two important trends in the industry—the movement of canners into the frozen food field, and the efforts of existing frozen food producers to tighten their control over quality and quantity of their output.

Sales Expand at High Rate

For years canners have been pondering the possibility of getting a foot in the door of the quick freezing business while it was still open. They watched sales increase 67% in 1934, 47% in 1935, 50% in 1936, and 60% in 1937, reaching \$13,000,000 in that year. This figure may be compared to the total retail food sales of \$10,500,000,000 in 1937, but frozen foods' rate of growth in the retail field isn't anything to laugh off easily. Moreover, these foods had a flourishing market in the institutional field even before the retail market was opened up. But what kept canners and growers from moving in on frozen foods was the tremendous expenditure for refrigeration equipment which was necessary in all stages of manufacturing and distribution.

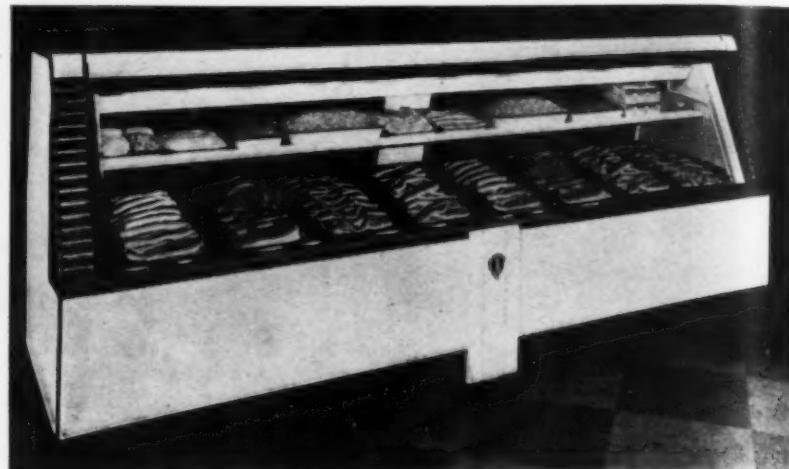
The typical experience of Washington Packers, Inc., in Sumner, Wash., was enough to show canners that perhaps it was worth it, however. For three years Washington Packers has been quick-freezing fruits and vegetables for institutions. Last year it went into the retail business. 1,000,000 lb. of peas frozen last summer and sold pronto at a time when most canners were desperately trying to move

their product was a handsome object lesson for canners. This year the 2,400 grower-members of Washington Packers have authorized the expenditure of \$80,000 for more freezing equipment. The two largest canners in the country are making test packs of frozen fruits and vegetables. Cali-

fornia Packing Co. (Del Monte) is set to come into the field soon. At present there are 60 or 70 canners in it. By the end of the year there should be well over 100.

Most of them are freezing for the large producers, or for institutions. Many are quick-freezing their products for their own use, storing them away to be used for canning when they're demanded, thus leveling out their canning operations through the year. They lack the experience and fear the expense of going in for retail distribution. Refrigerated delivery trucks together with the supplying and financ-

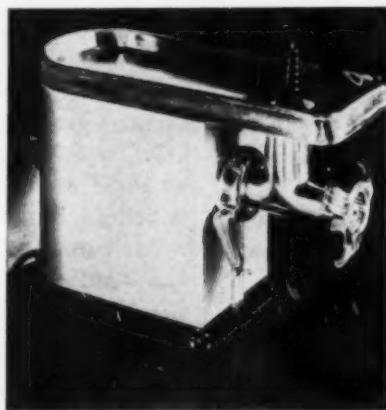
Ensemble Styling Hits Food Store Equipment



MORE and more, manufacturers are accepting ensemble styling as a potent factor in selling related items of merchandise. A recent company to launch a program of integration for its line is Hussman Ligonier Co. (St. Louis), manufacturers of store equipment. With the co-operation of Designers for Industry, Inc. (industrial designers of Cleveland, Chicago, and New York), the company has produced a complete family of food dispensing and preserving equipment.

The redesign goes beyond surface re-

styling. The Zephyr Coffee Mill finds new efficiency by mounting its grinding burr directly on a vertical motor shaft. The Clipper Meat Chopper combines a stainless steel meat pan with the body of the chopper in such a way that the merchant is given more working space. The Refrigerated Meat Case promises to go lightly on refrigerating costs while at the same time making its contents more visible to customers. Not illustrated here are coolers, grocery boxes, meat tenderizers, and other store devices that round out the line.



The meat chopper and coffee mill follow the styling of the meat case above, are clearly of the same family of products.



GANGWAY!



Valley Street, Maplewood, N.J.
In commenting on this paving, the County Engineer, Mr. William A. Stickel said: ". . . we had to consider public convenience, possible interruption to business caused by detours if the streets were closed for any length of time and one important consideration was the possibility of fire. We had to provide free movement of fire apparatus. High Early Strength Concrete was the answer added to efficient construction methods."



Fire

Without warning—fire strikes once a minute—somewhere. Against this constant threat to life and property, roads and streets must be kept open for fire apparatus. This at times is difficult when construction is under way.

Great strides have been made by advanced construction methods. Lehigh Early Strength Cement adds another safety factor. No longer need new concrete pavements be closed to traffic 10 days or more. No long waiting for concrete to cure when Lehigh Early Strength Cement is used. Pavements are frequently opened in 24 hours—the fire hazard is lessened—also the delay and expense of detours and interruptions to business and public activities.

To concrete for any purpose Lehigh Early Strength Cement adds **QUICK SERVICE STRENGTH**. When used under the same conditions, in 24 to 48 hours its strength compares with that of normal portland cement at 7 days. This quick curing means earlier completion of the work, often with reduced cost. In cold weather it is a safeguard against the danger of concrete freezing.

Architects, engineers, contractors appreciate these advantages. Ask them how Lehigh Early Strength Cement may be applied to your own work.

LEHIGH PORTLAND CEMENT COMPANY
Allentown, Pa. Chicago, Ill. Spokane, Wash.

LEHIGH EARLY STRENGTH CEMENT

NOTHING KILLS FIRES FASTER



**Than this clean,
dry, harmless
snow-and-gas.**

- If there is a paint-shop in your plant . . . if you handle dangerously flammable liquids, as gasoline or chemicals . . . if you have rotary electrical equipment, as generators—there you should have Lux extinguishers or a Lux Fixed System.

LUX extinguishers kill dangerous fires in a quick flash. They use the fastest known extinguishing agent—Lux carbon-dioxide snow-and-gas.

Lux does no damage, even on delicate electrical equipment. Leaves no messy residue. Lux has no poisonous or harmful qualities.

Lux protection means valuable insurance . . . against loss from fire . . . against breakdown of carefully timed production schedules. Insist on Lux. It's your finest protection.

When you write, mention the type of hazard you wish to protect. We will mail complete details and brochure. Write today.

Walter Kidde & Company

324 West Street,

Bloomfield, N. J.



ing of special storage-display cases for retailers are a good deal to attempt at the start. Furthermore, those who go into the retail field realize that they must carry through virtually all distribution operations themselves, for although a few wholesalers have installed the necessary refrigerated storage and delivery equipment, most of them are not equipped to handle the frozen foods. It is for this reason that some trade observers expect the local dairies to play an important part in the future development of the food distribution picture, for these agencies already have much of the equipment necessary to handle the new perishable line. Conceivably, the dairies with their established patterns of distribution direct to home and store may be able to take the play away from wholesale grocers as the demand for frozen foods expands.

The Retail Situation

On the retail front, frozen foods are no real threat to canned goods—at least not yet. Canned goods supply the price market, frozen foods the quality market. Many of these small producers of frozen foods, however, operate in the retail field locally. In their local areas they can weasel out of the problems of retail distribution of frozen food by using the old Fleischmann Yeast method of distribution—calling on retailers every other day or so with a small supply of frozen foods which the retailer can keep in his regular refrigerator.

The two companies accounting for probably 90% of the frozen food business now are General Foods' subsidiary, Birds Eye, and Honor Brand, owned by the New York produce house, Waterman & Co. So far they have been welcoming competition. They think that some of the new packers, in their rush to gain a foothold, will put up inferior merchandise, and that the public will react in favor of Birds Eye and Honor Brand as quality purveyors.

Concern Keeps Strict Control

Birds Eye has been watching over its quality from the start, running a research laboratory, going so far as to contract for seeds two years in advance, distributing the seeds to farmers, contracting for the crop in advance as well, sending out portable freezing plants to the source of supply at harvest time, if there is no permanent freezing plant close—even controlling its retailers' selling methods. Honor Brand hasn't been able to keep such strict control over its pack; but its deal with Stokely assures it of a quantity of raw materials for quick freezing, and a quality control it didn't have when it was dealing with a number of small growers scattered over the country. Si

CHEVROLET TRUCKS

again prove their great performance
and economy by this A.A.A.

CERTIFIED TEST RUN



1938 1½-ton stock model Chevrolet truck demonstrates cost-saving performance in test run from the capital of Canada to the capital of Mexico

less than
1/2 CENT PER
TON MILE

14.48 MILES
PER GALLON
of gasoline

NOT ONE
CENT FOR
REPAIRS



No tests are more rigidly supervised and exacting than tests conducted under the supervision of the Contest Board of the American Automobile Association. All figures listed in the column at the right are facts—certified and convincing proof of the great performance qualities and dollar-saving economy of Chevrolet trucks! Modernize your truck equipment now. Save money all ways with Chevrolet trucks—with low first cost, low operating cost, low maintenance expense—and with rugged, durable Chevrolet construction that gives extra thousands of miles of capable, satisfying operation.

CHEVROLET MOTOR DIVISION, General Motors Sales Corporation,
DETROIT, MICHIGAN
General Motors Installment Plan—Convenient, Economical Monthly Payments.
A General Motors Value.

READ THESE AMAZING PERFORMANCE FACTS...

Total mileage covered . . .	3,022.2 miles
Payload weight	4,580 lb.
Gross weight	9,260 lb.
Average speed	31.04 m.p.h.
Total gasoline consumed, 208.73 gallons	
Miles per gallon of gasoline	14.48
Oil consumed	2.92 quarts
Total cost (gas, oil, lubrication)	\$43.84
Total per ton-mile cost	\$0.00313

"THE THRIFT-CARRIERS FOR THE NATION"

freezing plants are being set up in as many Stokely factories, of which there are 34. Before long Honor Brand expects to make deals similar to the Stokely one for its meat and fish products. Birds Eye, after casting about for a suitable slaughtering and packing location for quick-freezing meat, is now operating in Indianapolis, and aiming to stretch out its meat operations.

Vegetables at Top of List

Of all quick-frozen foods for the retail and industrial markets, vegetables account for more than 50%—and peas for almost a half of that 50%. Fish, fruit, and poultry come trailing behind, and meat accounts for the smallest portion of all. Quick-frozen meat, for one thing, is priced high. Even though the high price can be justified by the fact that all bone and waste has been cut out of the meat, consumer acceptance has been hard to get. But it's already evident that producers are going to concentrate harder on meat this year. Meat packers such as Adolf Gobel, in Brooklyn, have been distributing quick-frozen meat for the past few months, using the argument that it can be handled by a dealer in his everyday refrigerator. Eventually, quick-frozen meat may reach the point where it won't be necessary for a meat market to keep a butcher in the store.

Quick-frozen fish, too, is bound for a rise this year. Both Birds Eye and Honor Brand have found a lively market for their fish and other seafood—Honor Brand claiming it accounts for 25% of its total sales. Sales have been good in the East; in the Midwest whopping. Booth Fisheries, the largest packer and distributor of fish in the country, recently announced that it intended to make the U. S. housewife more fish-conscious by quick-freezing its product, and selling it boned, scaled, cleaned, packaged, and ready to eat. Distribution is to be through the regular Booth outlets, and through small meat packers. The fish, says Booth, requires no special dealer equipment, but can be sold from the regular refrigerators, with a temperature of about 40 deg.

Storage Cabinets Necessary

One of the principles of quick-freezing today is that the frozen food must be stored in a place with a sub-zero temperature. The necessity for low temperature storage cabinets is one of the bugaboos to retailer-acceptance of frozen foods. Cabinets used to cost upwards of \$1,000. Now they average closer to \$300. Birds Eye rents cabinets to its dealers. Honor Brand will sell, rent, or provide easy payments. In California cabinets are turning up priced at \$167; a

dry-ice cabinet in New York is being prepared to sell for \$50-\$75. And before long retailers will be able to buy cabinets without feeling the pinch. At present, however, Birds Eye and Honor Brand find themselves in the pleasant position of having to turn down more retailers' requests for outlets than they accept. Birds Eye for the most part deals with its retailers direct, Honor Brand through wholesale distributors. Birds Eye's distribution is confined largely to New England and the Middle Atlantic states. The Midwest is being opened up this year. Honor Brand has more scattered distribution, though still concentrated in the East. Both are moving slowly in the retail field, keeping distribution where demand is greatest and where products can be shipped without great cost.

Forecasting Industry's Future

What's in store for the frozen food industry for this year is anybody's guess. It ought to have the greatest expansion it's ever had in the retail field. As more packers come into the field it ought to gain greater consumer acceptance. The industry says the housewife used to buy her crackers, sugar, and coffee out of barrels before she learned to buy them packaged, and

the time isn't far off when she's going to demand that her perishables be packaged.

Technical improvements and new methods of quick-freezing are going to tighten up the competition between packers, bring down costs. Rows are going to crop up between canners, fresh fruit and vegetable distributors, and frozen food packers—as they have already, with the distributors of fresh produce agitating for a differentiation on restaurant menus between fresh canned, and frozen foods, and muttering about frozen food producers' use of the word "fresh."

Broad Changes Expected

One thing the industry is sure to do, this year, next year, and as long as it lasts. It will make tremendous changes in the present manufacturing and distribution picture. Ideally, frozen foods can stabilize all food prices. Crops will be frozen at their peak, to be used when there is a demand for them. Shortages and surpluses will be done away with. The farmer will always be sure of getting a regular price for his produce. At least that's the misty outline of the future that frozen food producers see in their dreams.

MARKETING ANGLES

The Federal Trade Commission continues its battle against A. & P. by issuing a complaint against the Atlantic Commission Co. in New York City, charging violation of the brokerage section of the Robinson-Patman Act. Atlantic Commission Co. is the A. & P. subsidiary which buys all A. & P.'s fresh fruit and vegetable produce, at the same time acting as broker for other sellers who ship fresh produce to New York. The Federal Trade Commission charges the Atlantic Commission Co. with accepting allowances and discounts in lieu of brokerage on its own A. & P. account, without rendering any services in return.

* * *

A survey made by the Federation of Tax Administrators shows the tobacco tax to be increasingly important to the federal Treasury. In 1937 it totaled \$551,900,000, making it third in importance of all federal taxes. Income and liquor taxes top it. In the last four years the tobacco tax has increased \$149,000,000—the bulk of the revenue coming from the tax of six cents on every package of 20 cigarettes. Twenty-one states have some form of tobacco tax, though it is less important as a state revenue measure—furnishing an average of 4.55% of the total revenue of tobacco tax states.

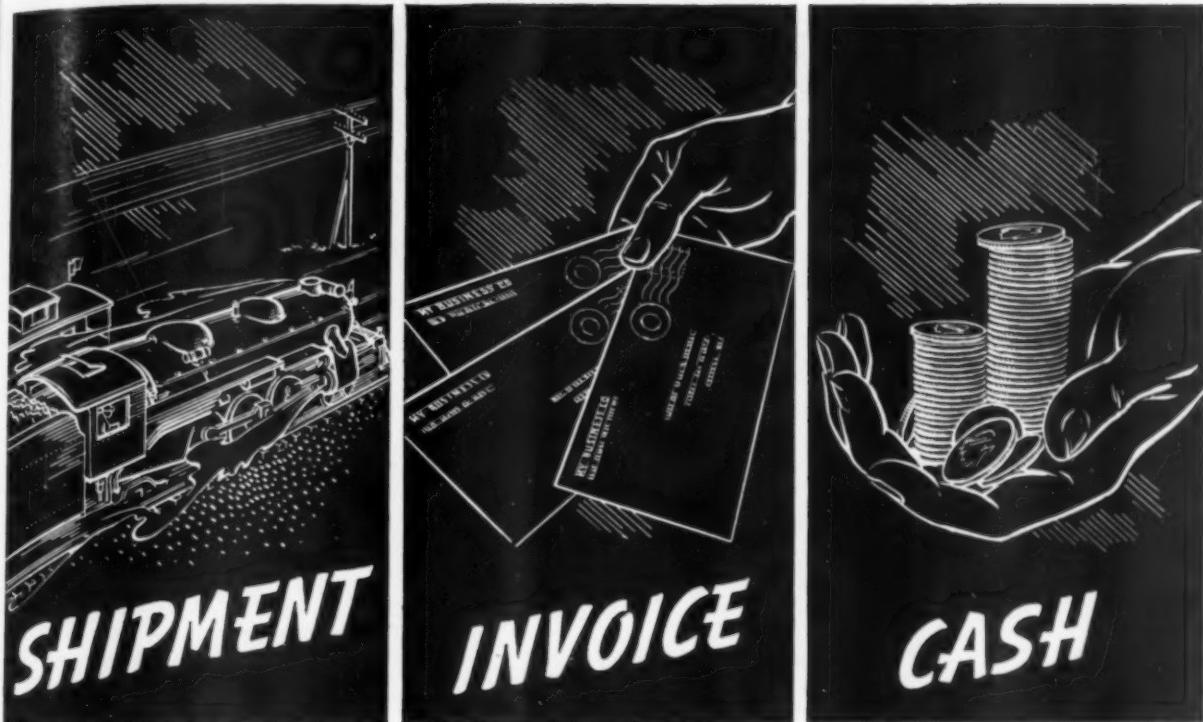
* * *

Following the lead of New Jersey and Connecticut, the New York State Board of Pharmacy is refusing to issue pharmacy licenses for the establishment of drug departments in supermarkets in the state. The supermarket drug department is an

increasing source of worry to drug retailers, especially since the A. & P. supermarkets (which seem to spring up in geometric proportion to chain store taxes) nearly all include drugs in their set-up. Further cause for concern to New York drug retailers last week was the news that Macy's is soon to add a prescription department to its store.

* * *

Since July 1, 1934, the Federal Trade Commission's Special Board of Investigation, which keeps an eagle eye on advertising copy, has covered 1,754,072 magazine and radio advertisements. An analysis of the 93,863 radio continuities and the 41,472 published advertisements which have been chalked up as questionable breaks down thus: Drugs and remedies 30.5%; food products 6.8%; cosmetics and toiletries 6.1%; health devices and specialties 5.3%—making a total of 48.7%; commodity sales promotion plans, with agency and employment offers, and specialty and novelty goods advertising, 14.9%; correspondence courses, stamps, coins, astrological data, books, and similar mail order offers, 12.5%; automobile, radio, refrigerator, and other equipment lines, 9.0%; miscellaneous—including apparel, tobacco products, pet breeding, poultry raising, gasoline and lubricants, special building materials, etc., 14.9%. Effectiveness of the Special Board of Investigation may be gauged by the fact that drugs, health devices, and cosmetic cases which used to account for more than 60% of the total are down now to 42%.



and PROTECTION against Credit Loss

YESTERDAY our shipments to regular customers totaled around \$60,000. About half of these accounts will take advantage of our discount terms. The others will wait until their bills mature.

Yet, without any delay, I have the full cash proceeds in my bank, ready to go to work for me again."

That is a simple description of how Commercial Credit Company's open account financing is making the money and credit problem easy for hundreds of clients.

Credit Rating, High—Capital, Liquid

They ship . . . bill the customer . . . send us duplicate invoices . . . and get their money immediately.

It's such a safe, sane and easy way to keep your credit rating high and your cash position strong, you should certainly investigate it.

A Comfortable Margin of Safety

Safe? We have added an exclusive LIMITED LOSS feature to the many other advantages of our open account financing plan. This enables you to discount your receivables with iron-clad protection against any credit loss in excess of an agreed, limited small percentage.

Easy? Call in our representative. Determine how much cash you need . . . what receivables you want to discount. No notification of customers is necessary. You get your money at once. No financing can be accomplished more simply and quickly than that.



We'd like to give you a clear and complete understanding of every detail . . . You'll get it straighter and quicker through a personal interview than through hearsay or correspondence. Our representative will keep any appointment at your convenience.

COMMERCIAL CREDIT COMPANY

BALTIMORE

NEW YORK CHICAGO PORTLAND, ORE.

SAN FRANCISCO

2nd Alky-Gas Plant

Sioux City tries to boost Agrol sales and win Chemical Foundation's \$500,000 plant.

THE petroleum industry has ranged from the mildly critical to the downright derisive in its attitude toward alky-gas, the blend of alcohol and gasoline for motor fuel. Yet Agrol mixture (the Chemical Foundation's alky-gas) is being sold from pumps retailing major company brands in Sioux City, Ia. Thereby swings the tale of the latest move in the Foundation drive to win for farm products part of the motor fuel market (*BW*—Dec 25 '37, p 17).

Through the Farm Chemurgic Council, the Foundation spent \$275,000 on alky-gas experiments, operating a distilling plant at Atchison, Kan. A campaign is now in progress at Sioux City for the erection of a plant in the locality. The Chemical Foundation has promised to start on a project to cost \$500,000 as soon as sales of Agrol fluid reach 3,000 gal. daily. Sioux City's Chamber of Commerce and other organizations are pushing the campaign to put over the city's side of the bargain.

Various devices are being used to make the community Agrol-conscious. Business firms and individuals ran a full page advertisement in the Sioux

BOOST—Sioux City business men paid for this full-page ad in the *Journal*.

City Journal urging the citizens to rally 'round the effort to establish a new industry "which will consume 1,500,000 bu. of farm produce annually." It is reported that owners of several large filling stations told their major oil suppliers to use the Agrol blend or take out their pumps. As a result some 148 stations out of a total of 300 in the Sioux City territory are featuring Agrol gasoline.

Present estimates of Agrol fluid consumption are around 1,800 gal. daily, or over half the figure set by the Chemical Foundation. It is claimed that opening of the spring motoring and tractor season will boost consumption to the specified point. At any rate preparations for raw material requirements are being pressed. Contract forms are at the printer's. Agreements will bind farmers to plant crops usable for Agrol for five years; pay to be at a flat rate.

Cities Curious about Idea

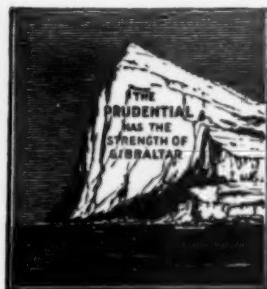
The Sioux City plant is expected to be the test on which the Chemical Foundation's alky-gas idea will stand or fall. Twenty-one cities from New Jersey to Oregon have asked Sioux City for information on the subject.

Meanwhile alky-gas begins to make a noise in Washington as several legislators push their pet proposals. However, little chance is seen for any of these proposals at the present session.

The Department of Agriculture is completing a study of alky-gas sources. The new Agricultural Adjustment Act allows the Secretary of Agriculture \$4,000,000 per year for four experimental laboratories, whose function will be to find new uses for farm products. Alky-gas may be one subject of inquiry.

The petroleum industry keeps repeating that alcohol costs too much to compete with present prices of straight gaso-

Heirs get cash; partner keeps the business



When one partner dies, disaster to the enterprise is avoided if there is life insurance ready.

See our booklet on this subject

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

EDWARD D. DUFFIELD, PRESIDENT

HOME OFFICE: NEWARK, N. J.

More than FOUR MILLION hands washed Every day at...



BRADLEY WASHFOUNTAINS

Water Costs are cut 80%. Ask for New Brochure No. 937. "Modern Group Washing."

BRADLEY WASHFOUNTAIN CO., 2225 W. Michigan St., Milwaukee, Wis.



They play with fire and make it pay



When you buy an electric fan, oil heater, roofing material, fire extinguisher or any one of thousands of commodities that bear the label "Underwriters' Laboratories Inspected," you are assured that fire and accident hazards inherent in the object have been reduced to a minimum.

To obtain this coveted approval, manufacturers themselves submit their devices and materials to Underwriters' Laboratories, where expert engineers test and retest to see how much abuse the products can stand. With chemicals, gases and high explosives . . . temperatures of 3000°F above to 320°F below . . . pressures to 550,000 pounds . . . electric currents to 100,000 volts,

these trouble-finders "play with fire" . . . to prevent fire and accident!

Just what is Underwriters' Laboratories? It is a non-profit institution with test plants at Chicago, New York and San Francisco, founded by the leading capital stock* fire insurance companies. This great public safety service is but one of the many ways capital

A flaming match tossed into a cauldron in which two gallons of gasoline are floated on water! Can you imagine a more stubborn blaze? The 2½-gallon "foam" type extinguisher being tested must smother the roaring fire completely to win the approval of Underwriters' Laboratories.

stock company fire insurance helps to make human life and property safer.

You benefit not only as a citizen but also as a policyholder, for reduced fire losses mean lower insurance costs . . . The last thirty years have been marked by a consistent reduction of the rates for capital stock company fire insurance.

*CAPITAL STOCK COMPANY Fire Insurance

provides sound protection at a pre-determined cost, without risk of assessment to the policyholder. Its promise is backed not merely by legal reserves but by capital stock and a surplus accumulated to meet both normal expected losses and those that are abnormal and uncertain . . . even extreme losses due to conflagrations. Its system of operating through competent Local Agents assures prompt personal service to policyholders.

THE NATIONAL BOARD OF FIRE UNDERWRITERS • 85 John Street, New York
National organization of Capital Stock Fire Insurance Companies • Established 1866



oline. But it is important to remember that the farmer's voice is loud in all legislative halls, that alky-gas can be made a powerful talking point by statesmen seeking office from farm districts.

Political Phosphate

Sen. Pope wins Presidential support in campaign for development of Western deposits.

ALL mixed up with politics, sectional pride, national economic planning, and peace-and-war prospects, the subject of phosphate development in Western America was brought to a boiling point this week by Sen. James P. Pope's highly vocal agitation for such a program and by President Roosevelt's announced decision to take up world phosphate problems with Congress in a special message. In this sequence of events, Washington observers traced a definite pattern of political cause and effect. The Senator comes up for re-election in Idaho this year and, not unnaturally, wants to return to Washington. The senator is a staunch New Dealer; so, not unnaturally, the President wants him to come back.

It's easy enough to trace the pattern thus far; it's another matter to predict how far it will eventually go toward the establishment of a federal project for the processing of phosphate rock and the manufacture of fertilizer chemicals and byproduct gases for war use. The President's intervention in behalf of the Senator and his pet project seems to assure at least an extensive investigation of Intermountain phosphates this year. The fertilizer division of the Tennessee Valley Authority will probably get the call to do the job on its own funds, though there is some question whether the money of the Authority can properly be put to such purposes.

Costs Higher in West

Anaconda Copper and other private interests are already active in the Western field, but because costs of extracting the phosphates from the comparatively low-grade rock are appreciably higher than they are in the competitive Florida and Tennessee fields, and because shipping charges to the big Eastern consuming centers constitute another serious disadvantage, the Western deposits have never been extensively worked. The one new factor in the picture which might favor Idaho development now is the availability of cheap power at the new Fort Peck and Grand Coulee dams. Even so, it is argued that Western phosphorous chemicals could not be made really cheap unless a government subsidy were provided for the capital requirements.

Sen. Pope, of course, doesn't delve



Underwood & Underwood
SEN. JAMES P. POPE
His constituency is phosphoric.

far into these problems in his writing and thus far unfruitful efforts in behalf of Western phosphate. He stresses the broad social and economic implications of the situation. His argument runs in this wise: Phosphate is an essential for plant life. It is the most weighty plant food in all fertilizers. Even human life depends on phosphate in the diet, usually received through phosphate-fertilized foods. America has always been the single greatest source of this vital commodity, exporting a million tons annually. As a result, the American supply of phosphates is being rapidly depleted, and in the public interest new sources of phosphate—i. e., those in the Mountain States—must be carefully surveyed and prudently exploited.

Experts say, however, that the Tennessee and Florida deposits, from which the bulk of United States production comes, would not be exhausted at present rates within 200 years.

Fighting Venereal Disease

Large appropriations to expand work of Public Health Service are proposed; meanwhile federal and local agencies crack down on dangerous devices.

THE federal government is advancing on two fronts in a vigorous national campaign against humanity's most insidious enemy—venereal disease (*BW*—Oct 30 '37, p34). Bills have been introduced in Congress which would aid states in the work of prevention and cure. Meanwhile, the U. S. Food and Drug Administration is pressing its drive against the indiscriminate sale of defective contraceptives. Business is keenly interested in both developments, for it realizes how great a drain social diseases exact, both in the institutional care of the sufferers and in the lowered productive capacity of afflicted workers.

The bills introduced into the U. S. Senate by Sen. La Follette and into the House by Rep. Bulwinkle last January would "impose additional duties upon the Public Health Service in connection with the investigation and control of venereal diseases." As amended, the Senate measure would appropriate \$3,000,000 for the year ending June 30, 1939, and \$6,000,000 for the year ending June 30, 1940. From this allotment would be made to states and other political units. For administration a division of Venereal Diseases would be established in the Public Health Service.

The Senate Committee on Commerce has ordered the La Follette bill reported but expectations are against its passage this year. A jam of legis-

lation in the House Interstate Commerce Committee also works against the early consideration of the Bulwinkle measure. But Surgeon General Thomas Parran is optimistic and the Administration is said to approve.

Druggists are a bit worried by the proposed legislation. They fear the result will be free distributions of specifics which will interfere with sales in a highly profitable category.

Seizures by Federal Agency

Last May, the federal Food and Drug Administration began an investigation which has resulted in wholesale seizures of defective rubber prophylactics. These products are used as contraceptives but are sold as devices for protection against diseases, thus sidestepping the birth-control laws. The Food and Drug Administration ruled that, as disease preventatives, rubber prophylactics are subject to the legal controls which govern drugs and which forbid misbranding. It is on this basis that raids and seizures are being made.

Leading companies in the industry welcome the government action as a judgment long overdue. A principal item of cost in these contraceptives is testing (inflation with one cubic foot of air). Millions have been marketed regularly without sufficient tests, allowing unscrupulous producers to undersell legitimate competition.

Federal records reveal that, since

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Jan. 6 last, some 6,152 gross of sub-standard rubber prophylactics have been seized. Brand names are legion and sometimes the origin is obscure. A few trade-marks involved are "Pan," "Parisians," "Rainbow," "Streamline," "Three Little Pigz." Defects in seizures run as high as 93.7%.

Many shipments have been withdrawn as a result of the federal crusade and several manufacturers have shut their plants to install improved machinery or testing apparatus. The F&DA feels that it has about cleaned up on rubber goods. Its inspectors will now concentrate on skin (sheep gut) prophylactics. Conditions in this field are said to be badly in need of correction. Data also are being collected on "feminine hygiene" preparations

False Claims Listed

In the field of contraceptives for women, the FTC has long been active. False claims are common and give the commission cause for action. In a March 3 cease-and-desist order against a Chicago distributor of a "feminine hygiene" preparation the following false claims are listed: that the product is approved by the American Medical Association, by the American Birth Control League, by physicians generally; that the company is connected with the Birth Control League; that the product may be used with safety; that the company operates a laboratory. Since November, 1931, the FTC has issued over 60 stipulations or cease-and-desist orders against such firms. There have been twelve such orders this year.

Meanwhile, there are local fights which may develop national significance. The Tennessee supreme court recently upheld the Knoxville Prophylactic Ordinance of 1934. This measure reserves to drug stores or licensed medical practitioners the right to sell "appliances and medicinal preparations" for the "prevention of conception and/or venereal diseases."

Retail Druggists Like Idea

The original ordinance was promoted by the Youngs Rubber Corp. through the Knoxville Drug Club. Costs of the test case were paid by the Youngs company. The idea involved is definitely popular with retail druggists, a group solidly organized and highly effective in the application of political pressure. With the Knoxville victory under their belt, the druggists are likely to push hard for similar ordinances across the country. Undertaken for purely selfish reasons—to acquire a virtual monopoly on the retailing of these devices—such a drive to regulate the quarter-billion dollar business will at least focus attention on the fact that it is now virtually unregulated and irresponsible to any social agency.



"IDENTICAL TWINS" but *are they alike?*

Some "identical twins" only look alike; but their differences are too deep to be determined "by sight."

Two wire ropes, identical in appearance, may differ so widely in unseen characteristics that one will outlive the other many times under identical operating conditions.

Except for its one strand of yellow, "Flex-Set" Preformed Yellow Strand looks like any other wire rope of the same "lay" and number of wires. But, the wire for this super-rope is drawn to the most exacting specifications. Then, wires and strands are shaped to a permanently helical form before they go into the rope.

This revolutionary process produces valuable properties that work together for long life and economy on road building machines, in general construction, logging, mining, rotary drilling, and in industrial plants.

Limp and tractable, "Flex-Set" Preformed Yellow Strand is easily and quickly handled, installed, spliced, socketed. Practically pre-broken in, it is able to assume full speed and load quickly, with little danger of damage. And with all this there is amazing resistance to kinking, drum crushing and fatigue.

Every wire rope user should at least try "Flex-Set" Preformed Yellow Strand.

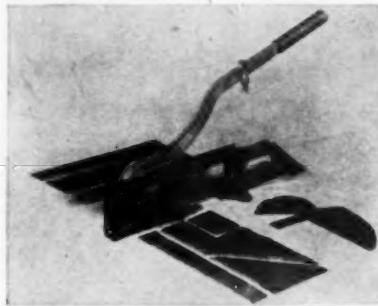
BRODERICK & BASCOM ROPE CO., St. Louis

Branches: New York, Chicago, Seattle, Portland, Houston. Factories: St. Louis, Seattle, Peoria. Manufacturers of all grades and constructions of wire rope, preformed and standard, for every purpose.

**"FLEX-SET" PREFORMED
YELLOW STRAND**

New Products—New processes, new designs; new applications of old materials and ideas.

WITHIN the next month, Parsons Bros. Slate Co., Pen Argyl, Pa., will be in production on its new "Portable Combination Roofing Slate and Asbestos Shingle Cutter and Punch." Frame is malleable iron; knife and punch are



tough heat-treated steel to do all the jobs of cutting 4-in. slate, rounding corners, and squaring edges right on the job. Roofing men who have seen it, predict that the device will so simplify roof-laying that it will spur up slate sales and revive slate quarries.

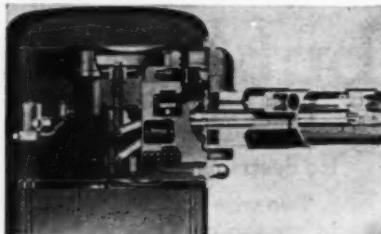
ON or about Mar. 15, Tri-State Development Co., Bowditch, N. C., will begin producing its new "I-X-I Household Cleanser," consisting of about 90% feldspar and 10% detergents. Raw material will be delivered from the plant of Feldspar Milling Co., Bowditch, to Tri-State by overhead conveyor. North Carolinians are excited over the whole project, because it will probably be the first time that one of the State's non-ferrous minerals has been processed within the State's borders for the ultimate consumer.

SINCE bringing out its "YPS" corrugated steel skid platform with improved rib construction about a year ago, Mullins Mfg. Corp., Youngstown Pressed Steel Division, Warren, O., has been doing a comprehensive job of designing further material handling equipment for use with fork-lift power trucks. Newest items are a tiering assembly of steel storage box and skid in one unit, a mobile tiering box with casters as well as skid, and a whole line of all-steel and wood-steel slat-type stacking pallets.

TWO new adhesive specialties, which have been developed recently for the printing field, look as if they would have even wider application: (1) "Sta-Fast Cement," produced by American Wood Type Mfg. Co., 270 Lafayette St., New York, fastens metal printing plates to wood or metal bases so tightly that no nailing is necessary. Equally good re-

sults are found in cementing metal to glass, and synthetic plastic materials to almost any non-porous material. (2) "Plate-Tak" double-faced adhesive tape, developed by Van Cleef Bros., Woodlawn Ave. at 77th St., Chicago, for quick and semi-permanent mounting of metal printing cuts to wood or metal bases, is now being found ideal for holding down printing plates while making mats for stereotypes. The paper tape is so thin and tough that at least one advertising agency is using it to mount "tip-ins" in formal presentation material.

SEVERAL years ago General Electric Co. developed the impact-atomization method of burning oil, and embodied it in a complete oil furnace. Now, after 10 years of laboratory study and testing, it has in production at its Bloomfield (N. J.) plant a conversion-type oil burner for steam, vapor steam, hot



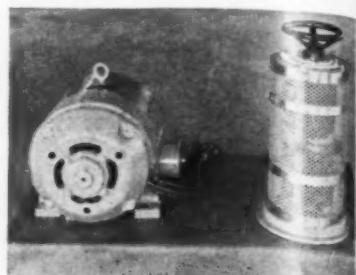
water, and warm air furnaces in a range of sizes to handle oil rates from $\frac{1}{2}$ to 3 gal. per hour. Features include: a "tailored flame" which can be adjusted simply on the side of the burner tube to conform to most types of combustion chambers; a vertical motor-compressor unit; "fast-action flame detector" and "two-try restart"; a high-lift oil pump which will draw oil from a tank as far as 15 ft. below the burner.

TESTS conducted by Underwriters' Laboratories indicate that the new Segal "Pickproof Lock" measures up to its name. As designed and produced by Segal Lock & Hardware Co., Inc., 261 Broadway, New York, it consists of a series of locking devices which cooperate with more or less conventional pins to make it proof against picking tools. Since the mechanism is contained in a cylinder the same size as that used in orthodox cylinder locks, it may be bought and used as a replacement item.

WRITING in *American Machinist*, Paul C. Bruhl tells how pliers were made self-opening by bending a short piece of small diameter rubber hose into a "U" and slipping it over the handles. It appears that operatives in a contin-

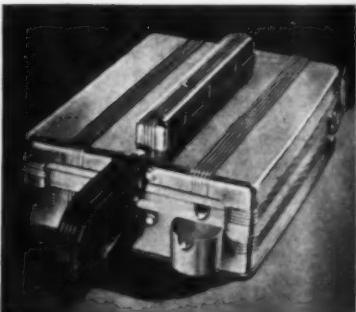
uous assembly line complained about the bother of opening pliers, closing them on nuts to be placed in assemblies, and opening them again.

AFTER a year of tests under working conditions, Crocker-Wheeler Electric Mfg. Co., Ampere, N. J., is bringing out



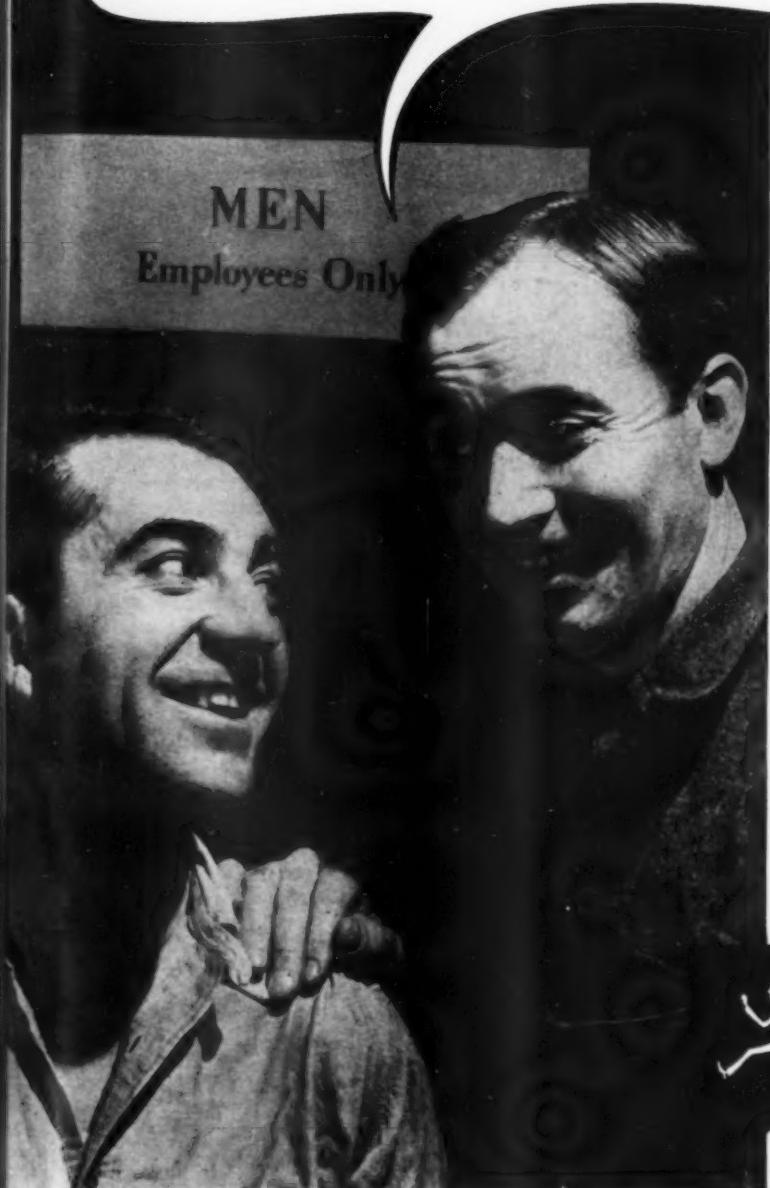
a three-phase alternating current motor of adjustable speed to be known as the Polyspeed. It has a stator core and winding similar to a conventional induction motor, and a single rotor winding similar to the armature of a direct current motor. It has 50% more brushes than a d.c. motor of the same number of poles. Brushes are in a fixed position. The speed regulator, a separate unit which will also work as remote control, is of the induction type with no switch contacts to wear out or burn up. With an infinite number of speeds, the motor can be operated at any speed desired from slightly above standstill to 1,800 r.p.m. by turning the speed regulator's rotor through 180 deg. The Polyspeed motor, which reveals constant torque over the whole speed range, has not as yet been manufactured commercially in sizes larger than $7\frac{1}{2}$ hp.

ONE will look in vain for attachment cords and plugs on the "Unitoast Toaster-Grill," because it is designed by Universal Button Co., 2250 W. Fort St.,



Detroit, to operate on any top burner of any gas stove. Heat channels inside its aluminum body carry heat up and to the top of any toast or toasted sandwich; a unique grease cup catches drippings when the toaster-grill is used to grill bacon and sausage and such. A bimetallic strip pops when effective heat is reached, after which one turns down the gas flame to simmer heat.

**THE BOSS IS HAPPY...
AND WE'RE SATISFIED!**



NO wonder they're satisfied . . . they have efficient, safe working conditions; they especially appreciate modern, comfortable washrooms and sanitary, health-protecting, individual ScotTissue Towels.

The boss, too, is happy because ScotTissue Towel Service costs him so little and saves him so much. It's a matter of pennies per year per user, but the return in good will and satisfaction is great!

Consider that two out of every five of your employees use ScotTowels or Scott Tissues at home and you'll see why they appreciate this same service during working hours.

TO KNOW how *really* economical ScotTissue Towel Service is, compare it with your present towel service. Take advantage of Scott's free Washroom Advisory Service . . . of the broad knowledge of the Scott representative. Let him make a survey of your washroom facilities and equipment. He'll show you exactly how ScotTissue Towels save you money. Scott Paper Company, Chester, Pennsylvania.



SCOTTISSUE, the same toilet paper that is preferred by more people than any other, is now available to large industrial users in Service-Roll form, at surprisingly low cost.

Thirsty Fibre really DRIES

ScotTissue Towels

BY THE MAKERS OF SCOTTISSUE, WALDORF AND SCOTTOWELS FOR HOMES

Air Conditioning Data

Men in industry, commerce, and other fields give information to McGraw-Hill.

JUST who has air conditioning equipment, what kind, how air conditioning helps, what non-users want it, and who can use more than he has now, are some of the matters cleared up by 1,586 men in 1,095 companies, who answered questions put to them by McGraw-Hill

Publishing Co.'s industrial research staff.

The survey dug into the experience of 557 industrial companies and 284 firms representing a cross-section of the commercial market, then went on to 166 distributors, dealers, and contractors, 49 engineers and architects, and 39 public utilities. Highlights of the summaries include the following strongly defined averages:

1. Replacement of equipment seems more needed in industrial than in com-

mercial establishments, because industrial air-conditioning plants are much older. Industrial units more than five years old account for 48.6% of the total, according to the survey; in commercial companies, only 39.7% are more than three years old.

2. Two out of three installations, in both fields, are of the automatic-control type; and central systems lead stationary units in about the same ratio. Portable units are in use in 9.8% of the industrial plants surveyed; commercial establishments showed a 2.4% coverage for portable equipment.

3. Different promotion campaigns are needed in the different fields. 64.9% of the industrial firms bought their equipment because of processing needs, while only 36.7% mentioned comfort as a decisive reason, but commercial buyers went heavily (78%) to the comfort argument.

4. A prime appeal in the commercial field, determining the type of equipment to be purchased, was low cost. In the industrial plants, dependability of the equipment outweighed all other considerations.

5. Air conditioning is used in summer only by 52.6% of the commercial buyers, and the year round by 47.4%. The industrial user keeps his air-conditioning units busy the year round in 77.9% of the cases reported.

6. Among non-users, 50.2% of the industrial firms surveyed and 71.8% of the commercial establishments recognized the need for air conditioning. About a third of each class are planning to buy; the other two-thirds quoted cost as the main reason for not buying air conditioning equipment at this time.

Although the survey results have not been prepared for general distribution, the research staff has arranged to make an analysis available through representatives upon specific inquiry from the field.

MORNINGS typewriter clatter sounds business-like.
BY NOON the continuous clatter is annoying.
BUT BY 3 P. M. you're borrowing aspirin from your
 stenographer—or she from you. • **AND BY FIVE** noise-
 battered nerves rebel. Wearily you trudge home—tired
 not from work, but from typewriter noise.
 Make the five o'clock test. It's free. Have a Remington
 Noiseless in your office for one day of efficiency and
 quiet. You'll be less tired that night!

Remington Rand, Inc.
 BUFFALO, N. Y.
 World's Largest Manufacturer of Noiseless and Portable Typewriters

More Remingtons built and sold
 in 1937 than any other make.

REMINGTON
 65th YEAR ORIGINATOR OF THE TYPEWRITER

Bridge Strain

New 65-card deck stirs speculation. Culbertson promises a book on it.

So pervasive are our international afflictions that they violate even the tense silence where 17,000,000 Americans sit crouched above their bridge tables. Newest threat to their peace of mind is the five-suit, 65-card bridge deck which has reared its ugly head in England. Skeptics ask whether this means that a drive will be made in the bridge industry to outmode the regulation 52-card deck. Admittedly, if this could be done the industry would sell a lot of new equipment and make a lot of fresh money.

It is not the first time that such



Newsphotos

ELY CULBERTSON
The high priest can write a new bible.

worldly questions have been raised. Back in 1935 there were changes in scoring and bidding which were highly stimulating to sales (*BW—Apr 20 '35*, p22). At this time a solemn covenant was signed between committees representing the various bridge-addicted nations providing that no further changes would be made before 1940. In the face of this solemn compact, England breaks out with a revolutionary 65-card deck. It involves such heresies as a new green suit called "crowns," super-slams, a kitty card which goes to the successful bidder.

The new deck is said to be of Viennese origin. In England, a leading manufacturer took it up and started a promotional campaign. His Majesty bought a deck at the British Industries Fair. This started things off with a bang which carried samples even to this country. Newspapers printed stories. People began talking.

Repudiated at First

Bridge moguls here repudiated the innovation at first. It "wasn't bridge." It was said that card manufacturers would have none of it. Then, like a bolt from the blue, came an announcement from Ely Culbertson (*selah!*). The high priest of the contract cult announced that he would write a book on the new game.

His worshipping teachers (who are said to number 4,000 of the nation's 5,000 instructors) are busy informing their flocks of the master's decision. Rival sects may indulge in nasty sneers, but if the Great Ely puts his power back of the new game, somebody will have a demand to supply.

Bridge is big business. Card sales run around \$13,500,000 annually, students pay some \$5,000,000 yearly for lessons, and other millions go for books, tabs, tables and the like.

COMPACT.. EFFICIENT.. GOOD-LOOKING

The New PROGRESS CABINET DICTAPHONE

with Automatic Dictation Folder

Thousands of business men know that the use of Dictaphone doubles their ability to get things done. We now present this modern business accessory in the new Progress Cabinet with Automatic Dictation Folder. Good to look at and practical to use, it combines several special features for off-the-desk use that you'll appreciate as you Dictaphone your hunches while they're hot... clear up detail... give fool-proof instructions... record important phone calls. Some of the special features of the new Progress Cabinet are shown in the pictures below. With them is a coupon which will bring you the whole story of Dictaphone and its place in the business world of today.



DESIGNED BY
STANFORD BRIGGS,

this compact and handsome Progress Cabinet looks its modern part in the modern business office.



"Why didn't somebody think of it before?" ... This built-in compartment with Automatic Dictation Folder is an especially popular feature of the Progress Cabinet. Remove one folder—the next is ready!



"Mighty handy to have eight extra Dictaphone cylinders always within arm's reach!" This convenient cylinder storage provides an adequate supply so that dictation need not be interrupted.



"It takes so little space!" The new Progress Cabinet Dictaphone has been designed for maximum efficiency in a minimum of space. It takes up only a little over one square foot of floor space. Easily movable.



"It's far more than just a correspondence machine. Dictaphone clears up routine faster, carries out my orders while I'm out getting business... what's more, it gives my secretary time to be a real assistant."



"I'm in luck!" ... that's the verdict of secretaries who have their own Dictaphone Progress Cabinets. Nipponic reproduction makes transcription pleasant. Duplex foot-control makes it easy.

IMPORTANT: There is only one true Dictaphone. It is made exclusively by Dictaphone Corporation at Bridgeport, Conn. We welcome the chance to discuss with any business man how this modern dictating machine could be used today in his type of business. There is no obligation, of course. Just mail the coupon.

Dictaphone Sales Corp., 430 Lexington Ave., N. Y. C.
In Canada—85 Richmond St., West, Toronto

BW-3

- I should like to talk with someone about the loan of a Dictaphone in the new Progress Cabinet at no expense to me.
 Send further information about Dictaphone.

Name _____

Company _____

Address _____

The word DICTAPHONE is the Registered Trade-Mark of Dictaphone Corporation, Makers of Dictating Machines and Accessories to which said Trade-Mark is Applied.

Rail Board Meetings

I.C. directors go to Chicago for sentimental reasons, but others stick to New York.

No straw in the wind, so far as Western railroads are concerned, is removal of the Illinois Central Railroad Co.'s directors' meeting from 32 Nassau Street, in New York's financial district, to the railroad's general offices in Chicago, announced last week by L. A.

NEED SALES REPRESENTATION FOR WISCONSIN?

A hard-hitting, energetic sales organization planning on contacting the industries in this state is seeking a few additions to their line. What have you for this territory? Please give full particulars.

J. J. McHUGH AND ASSOCIATES
2635 E. Capitol Drive Milwaukee, Wisconsin

Downs, president. The Illinois Central change of meeting place is a public relations move. An auxiliary plan, already approved by the directors, is to enlarge the board from 12 to 15 members, and select the new directors from the territory served by the company's trains, which rush south as far as New Orleans and Florida, and west as far as Omaha. Prime mover behind the change is W. A. Harriman, Illinois Central executive committee chairman, who recently has urged removal of directors' control from financial-minded New York to centers of operations. Yet the Union Pacific Railroad Co., big Harriman road, with general offices in Omaha, will continue to hold directors' meetings in New York. And the Atchison, Topeka & Santa Fe Railway Co., with corporate



Newspaper

W. AVERILL HARRIMAN
He urges directors' control from the center of operations.

offices in Topeka, and operating heads in Chicago, also will continue to hold directors' meetings on lower Manhattan.

The Union Pacific, by reason of its large stock ownership in industrial companies and other carriers, is a financial institution as well as a railroad. This fact obviously makes New York the logical place for its directors to meet. In the case of the Santa Fe, the road recognizes, as does the Illinois Central for that matter, that shifting a directors' meeting from New York to Chicago doesn't shift financial control from East to West. The Santa Fe feels that its public relations are already such as not to make such territorial courtesies necessary. Four of the fifteen seats at its directors' table are occupied by Chicagoans, three by Kansans, and one by a resident of Kansas City, Mo.

The Chicago & North Western, a railway which some years ago might have been directly influenced by the Harriman philosophy, has no present intention of moving directors' meetings to Chicago. Though the Union Pacific has an operating arrangement with the North Western regarding Chicago-to-California trains, its stock ownership in the road, in which it once had a substantial interest, has shrunk to less than 24,000 shares of common. The North Western, in the hands of a trustee, holds directors' meetings in New York at irregular intervals.

Just as the Illinois Central for sound public relations reasons has shifted the locale of its directors' meeting, so for the same reason may other roads move their annual stockholders' meetings back within the sphere of their operations. The Southern Pacific, for example, may even be persuaded to desert Spring Station, Ky., the present site of its annual meeting. The S.P. doesn't have a foot of trackage in Kentucky.



When aluminum alloy pistons have worn or collapsed, it has been customary to replace them or install skirt expanders in the old pistons. The best skirt expander is only a makeshift, adding weight and an extra part which frequently works loose.

The American Hammered Piston Ring Division of Koppers introduced and patented a method of resizing these old pistons, called "Koetherizing." A blast of steel shot is directed against the inner surface of the piston skirt. The piston is thus expanded to fit the cylinder exactly.

Koetherizing also increases the hardness of the inner surface of the piston and thus imparts a tension which holds it in place.

Koetherizing old pistons costs less than most skirt expanders and only a fraction of the cost of new pistons.

KOPPERS COMPANY • PITTSBURGH

Boiler and Power Plants • Castings • Coal and Coke • Coal Cleaning Plants • Coke and Gas Plants • Creosote • Dehydration Plants • DHS Bronze • Fast's Couplings • Fire Hydrants • Industrial Chemicals • Municipal Incinerators • Piston Rings • Plate-Work, Tanks • Purification Systems • Recovery Plants • Sewage Disposal Equipment • Ships and Barges • Roofing • Tarmac Road Tars • Tar Products • Treated Timber • Water Gas Generators • Waterproofing • Valves

KOPPERS

Canadian Leader Out

Bennett drops Conservative reins, thus retarding his program of reform.

OTTAWA (Business Week Bureau)—Economic and business reform is likely to fade out as a political issue in Canada with the impending retirement of former Prime Minister R. B. Bennett from the leadership of the Conservative party.

Bennett announced his decision to retire, because of a bad heart, at a national party conference here. He will continue as leader only until a national party convention is held in the spring or early summer at which a new leader will be chosen and the party platform revised. With Bennett out, party "traditionalists" probably will come into control.

Bennett became Conservative leader in 1927 after the party had lost three federal elections in succession. In 1930 he carried it to office on a "Canada First" appeal, aimed mainly at tariff protection for the home market and equitable trade relations with other countries. At the time, Canadian producers were suffering from the effects of high United States tariffs while American and British goods were competing seriously with Canadian goods in the Canadian market.

Bennett's Trade Policies

In office as Prime Minister from 1930 to 1935, Bennett boosted the Canadian tariff to the highest level in history and thereby corrected an unfavorable trade balance which was a principal factor in bringing Canadian exchange to a discount of more than 20% in New York. He brought the Empire Economic Conference to Ottawa in 1932, and negotiated the Empire trade pacts through which Canada's Empire trade increased by hundreds of millions of dollars. In 1934-35 he discussed trade treaty revision with United States officials but declined to accept the terms proposed by Washington.

Bennett's chief activity in office was in fighting the effects of the depression on Canada. In addition to his tariff and trade measures, he placed restrictions on the export of gold, revised the gold backing for Canadian notes, and established the Bank of Canada.

In 1935 he went in for a large program of economic and business reform. He put through Parliament a number of reform measures, including unemployment insurance, labor and wage standards acts, a trade and industry control act, a federal marketing act, and debt adjustment measures. Promising further measures, he sought reelection in 1935 on his reform policy, but was defeated by the Liberals under MacKenzie King. Last year most of his

IT'S A TOUGH JOB

to name an industrial concern of the first rank that is not a "BUFFALO" Customer—



—"Looking for a needle in a haystack" would be about as easy.

● All kinds of fan and air conditioning problems require engineering, and while many of them have become settled practice, there are plenty more to which rule of thumb methods will not apply.

For 50 years, Buffalo equipment has been "made-to-order" for its customers, and that's the way we like it, because the thirty Buffalo branch offices scattered over the United States are manned by engineers trained in this work. These Buffalo engineers know how to make applications of fan and air conditioning equipment in steel plants, for ceramics, enamelware, and glass, for foods, chemicals, and the printing trades, in foundries, machine shops, and warehouses, for textile plants, paper mills, and many others.

Back of them is the accumulated experience of Buffalo engineers at the main office who have been serving these industries for a generation. This is all related to a continuous program of research and development so that we can truly say that Buffalo is more familiar than industry itself with its own air handling problems. We don't know more about your business than you do, but we know how to meet your individual problem when it has to do with mechanical draft, drying, cooling or anything else in our line.

That's why we say without hesitation that your engineers and our engineers working together will make an unbeatable combination.

Your inquiry will receive our prompt attention.

BUFFALO FORGE COMPANY

458 Broadway
Buffalo, N. Y.
Branch Engineering Offices in Principal Cities.
In Canada: Canadian Blower & Forge Co., Ltd.,
Kitchener, Ont.

Buffalo Limit-Load Fans—the quiet, high-efficiency fans for those big ventilating and air conditioning jobs.



• FAN Engineering Specialists for 60 YEARS •



Hotel **Mayfair** ST. LOUIS

YOUR SALESMAN'S KEY TO THE INNER OFFICE!



THIS GOOD-WILL GIFT OPENS THE WAY

Over 5,000 firms throughout the world know what sales-building feats an imprinted AUTOPOINT pencil can perform. It is always acceptable, highly prized, and constantly used. Your name and sales message, imprinted on each pencil, become imprinted on your prospect's mind! Free book, "The Human Side of Sales Strategy," contains many tested sales plans. Send for a copy and sample pencil.

**AUTOPOINT COMPANY, Dept. RW-3
1801 Foster Ave., Chicago, Ill.**

TELL YOUR FRIENDS... IT'S EASIER WITH
Autopoint
The Better Pencil

1935 measures were declared invalid by the Canadian courts.

The reform program was frowned on by a large element in the party, including business interests which have supported the party in the past. In recent months, however, Bennett's brother-in-law, W. D. Herridge, former Canadian Minister to Washington, who is thought to aspire to party leadership, has sought to revive the program. With Bennett out, reform will have a poorer chance.

Mexican Oil Impasse

British and American companies refuse to obey wage decision. Compromise expected.

The controversy between the Mexican government and the foreign-controlled oil companies in Mexico is not settled, in spite of the ruling a week ago in which the Supreme Court decided that the government and the unions were in the right in making the demands for higher wages, shorter hours, and improved health and living conditions which were first presented a year ago but were later reviewed after the companies' books had been opened to government inspectors.

According to Mexican law, the government had the right to take over the oil companies' holdings at noon on Mar. 7 if they did not meet the demands of the government, which they did not. But at that time nothing was done ex-



LOMARDO TOLEDANO

The strong man of Mexican labor, who led the unions' successful fight against the oil companies, and is now expected to work for a compromise rather than see his unionists permanently lose their jobs.

cept to commandeer bank accounts of the various companies, which provided only enough capital to cover back wages due for the strike period last year. President Cárdenas called a fresh conference of company managers, and later a conference of union leaders. This provided the first evidence that Mexico—government and unions—would compromise rather than see the oil companies stop

Signing the Czech Trade Treaty



VLADIMÍR HURBAN

CORDELL HULL

The Secretary of State watches the Czechoslovakian Minister forge another link in the Administration's chain of reciprocal trade agreements.

Wide World

production and pull up their stakes in the country.

The labor situation which led up to the present crisis developed last May when workers for the 17 major British and American oil companies demanded a 40-hour week, pay on a weekly—rather than an hourly or monthly—basis, a minimum wage of six pesos (about \$1.70) a day, and full payment for 90 days in cases of sickness.

The companies met part of these demands, including the 40-hour week and vacations with pay, but insisted that they could not offer more than a five-peso minimum wage.

Cárdenas Action Expected

Until late last fall, it was generally believed in Mexico that both sides would bargain to the last minute, and then compromise. When it became evident that the Supreme Court decision was likely to go against the companies, it was expected that President Cárdenas would intervene to force a compromise in order to keep the companies operating and providing work for the 18,000 Mexicans who are employed, and to provide important tax revenues for a badly pinched national treasury.

When the court actually handed down its decision against the companies, it looked as though the government had decided to venture into the oil business through expropriation of the company properties. How the government would be able to meet the wage rates demanded by the workers, and find tank cars to transport the oil (most of the tank cars now in Mexico are the property of the various private companies), as well as tankers to handle exports, was not revealed. Best guess was that some effort would be made to strike a bargain with such big consuming countries as Germany and Japan which might handle the transport problem themselves.

The week's compromise negotiations change the outlook. Evidently, Mexican officials would rather assure themselves of a steady flow of tax revenue from continuously operating units than worry too much about loss of face with the unions for compromising with the owners.

New U. S.-Czech Pact

Two governments reach agreement that allows tariff concessions to both sides.

OFFICIAL Washington contributed to the festivities surrounding the inauguration in the capital this week of the Masaryk Institute, by signing the Czechoslovak trade agreement which has been pending for many months, and announcing to American business the concessions which have been granted on both sides.

They are not startling, but they are sufficiently numerous and in some cases

Much has been said about the desirability of lower prices in the economic structure. It has always seemed to me that the Western Electric-Bell System relationship offers one interesting solution of this problem.

George S. Bloom
PRESIDENT

In the Public Interest

If a business did not need to seek or promote its market,

If its customers were fellow members in the same corporate system,

If their orders were consolidated so that economical production could be achieved, *Then*—manufacturing could be conducted most efficiently and sales made without selling expense and without credit loss.



That exactly describes Western Electric's position in the Bell System, and the economies resulting from this arrangement are passed along to the telephone companies in the form of lower prices.

Thus Western Electric contributes its part in making Bell telephone service economical, and justifies its place in the Bell System as in the public interest.

Western Electric

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- 2. COMPLETE CAPACITY CARRYOVER** ... all Dials active regardless of Carriage position ... no dead spot ... no figures dropped ... Automatic Accuracy to the limit in any problem or by any method.
- 3. FLEXIBLE SINGLE KEY DEPRESSION** prevents setting more than one key in the same column at the same time... eliminates false keyboard set-ups and consequent errors.
- 4. AUTOMATIC COUNTER CONTROL** ... continuously counting Register Dial "Always Ready" to record the "Right Answer" in True Figures for either Automatic Multiplication or Division. Nothing to preset or prepare!
- 5. POSITIVE ELECTRIC CLEARANCE** ... all three dials and the keyboard instantly and completely cleared in a single easy operation ... no cranks or levers to operate ... partial clearance impossible.

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Silent Speed CALCULATOR

MARCHANT CALCULATING MACHINE COMPANY
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large enough to warrant the belief that they will stimulate considerable new trade between the two countries.

The most spectacular item in the new trade pact is undoubtedly shoes because of the battle which was waged during the hearings to prevent duty reductions which would allow Czechoslovakia's famed mass producer, the Bata Co., to ship greatly increased quantities of shoes to this country. Duties are reduced on three footwear items, but imports of all three are very small. For the general classification under which 90% of Czechoslovakia's shoes enter this country, the duty is bound at the present rate of 20%, and imports are limited to 14% of our annual average production over the last five years. Imports from Czechoslovakia under this classification last year amounted to \$2,646,000.

There were 11 other important items on which duties were cut. Textiles bulked large, with glassware only a little less important. Warpknit cotton gloves worth \$2,264,000 came into this country from Czechoslovakia last year. On these, the duty is cut from 60% to 50%. Table damasks and linen napkins are both affected. On linen table cloths, imports of which amounted to \$855,000 last year, the duty is cut from 45% to 30%. On cotton damask, imports of which were worth \$686,000, the duty is reduced from 30% to 20%. Linen napkins worth \$902,000 came into this country from Czechoslovakia last year, paying either of two rates—55% and 40%—both of which are now reduced to 30%.

Glassware Duties Revised

Two kinds of glassware are mainly affected in the duty revisions. Blown glassware for table use is the most important single item, imports from Czechoslovakia last year having amounted to \$1,357,000. On this, the duty is cut from 60% to 50%.

The other glass classification, illuminating glassware, includes lamp chimneys, glass wall brackets, prisms and chandeliers, and globes and shades, accounts for imports worth more than half a million dollars last year. The miscellany classification was the largest in this group, and the duty was reduced from 60% to 40%.

The duty on hops, which accounted for imports last year worth \$1,697,000, is reduced from 24¢ a lb. to 18¢.

Beads of imitation precious stones and beaded hand bags both account for fairly large imports, and on both the rate of duty is reduced.

Tariff concessions are granted to Czechoslovakia on 63 items. On 54 of them, duties are reduced, on nine they are bound at present rates. The full 50% reduction in duty permitted by law was made on products amounting to 4% of our total imports from Czechoslovakia. On 16% of the imports, the

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Two-thirds of Czechoslovakia's imports from the United States are industrial raw materials that enter the country free of duty. All such commodities of which the United States is the chief or a principal supplier have been bound on the free list. Raw cotton is by far the largest item in this group, Czech imports in 1936 amounting to more than \$18,000,000. Copper is a modest second, with sales to the Czechs in that year of about \$4,000,000. Other items now bound on the free list are phosphate rock, rosin, non-European wood, sulfur, turpentine, borax, animal hair.

Duties on Imports from U. S.

Existing rates of duty, all of which are less than 20%, are bound on the following items of import from the United States: heavy planing, shaping, and milling machinery; carbon black; electric carbons weighing over three kilos each; unexposed films; silica carbide, abrasive cloth and paper; rubber transmission belts; and vulcanized fiber.

Duties have been reduced on imports of American fruit, nuts, canned vegetables, lard, prepared breakfast foods, canned salmon, office machinery, automobiles, and electric refrigerators.

Where Czechoslovakia is bound by pacts with neighboring European countries to maintain a quota system on imports, concessions have been made to the United States on certain classes.

Business Abroad

French crisis develops. Germany wants trade deal with Washington. British tax threats undermine gilt-edge market. Japan threatens discriminatory tax on foreign business.

FRANCE is confronted with another domestic crisis, and there are no signs that the fundamental economic conditions causing it will soon be righted. The national plebiscite in Austria on Sunday is a daring attempt to discredit Germany's claims by showing that the Austrian public generally prefers political independence. The Polish Minister of Foreign Affairs is in Rome attempting to arrange an Italo-Polish agreement, and offering to mediate in the Hungarian-Rumanian impasse on treatment of Magyar minorities in Rumania.

Sharp weakness in the gilt edge securities market in Britain followed the announcement of heavy new defense expenditures which will seriously unbalance the budget unless new taxes are levied, and which threaten to undermine the attractiveness of the British investment market and weaken sterling.

Following the rather sudden promulgation of the Czechoslovakian trade agreement, attention of all foreign traders is turning to Washington where

the public hearings on the Anglo-American agreement will commence on Mar. 14. A fierce battle will rage around the question of duty cuts on wool and woolen textiles, but cuts are expected by those on the inside. A part of the antagonism from Eastern manufacturers is expected to be removed by offering a cut on raw wool duties, which means that negotiations are likely to be extended to Australia, principal supplier. In spite of the protests from business, there is little doubt that an Anglo-American trade deal will be made.

France

Political and financial crisis develops. National emergency government is expected.

PARIS (Wireless)—The French business situation—as well as the political—is deteriorating seriously. The government has made a compromise with labor

Czechoslovak-United States Trade Agreement

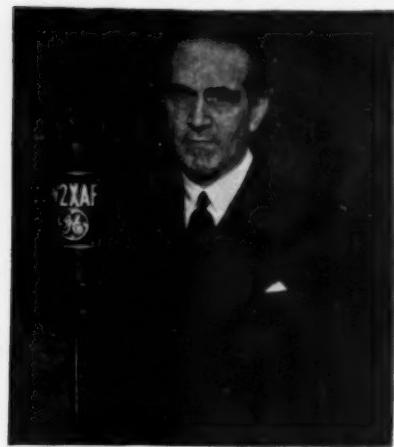
(Effective April 16, 1938, for one year and indefinitely until 6 months after notice of termination has been given by either country.)

Tariff Concessions Granted by United States

Item	Value		Ad Valorem Rate or Equivalent (Percent) in 1937	Old	New (\$b'd's/ds)	Item	Value		Ad Valorem Rate or Equivalent (Percent) in 1937	Old	New (\$b'd's/ds)
	Old	New				Potassium permanganate	58	53			
Glass products						Sanitary ware of china or porcelain	56	56	20		
Bottles, jars (holding over 1 pt.)	22	11	36			Plain white	60	30	3		
Illuminating glassware						Colored	70	35	4		
Prisms and chandeliers	60	30	38			Table and kitchen utensils					
Chimneys	55	30	14			Enamelled utensils	43	43	57		
Globes and shades	70	45	120			Meat and food choppers	40	30	7		
Wall brackets	60	30	4			Buckles of base metal	62	39	5		
Others	60	40	386			Snap fasteners, except sew-on	55	30	23		
Plated or cased glass	60	45	1			Not mounted on tape	55	30	None		
Perfume bottles (hand made)	75	37½	308			Mounted on tape	60	35	None		
Blown or colored glassware	60	50	1,356			Metal buttons, embossed	45	35	39		
Pressed glass table ware	50	25	3			Safety pins	35	30	37		
Cylinder, crown, and sheet glass						Bryndza cheese	7½	5½	*		
Not over 864 sq. in.	59.2	43.1	385			Hops	79	59	*		
Over 864 sq. in.	96.5	62.3	120			Lupulin	102	51	23		
Glass manufactures						Wall pockets	35	17½	59		
Glass blocks	50	40	*			Spangles and beads	35	20	270		
Other	50	50	19			Imitation stone beads	45	25	56		
Textiles						Beaded handbags	60	40	998		
Cotton damask	30	20	*			Buttons					
Jacquard cotton towels	40	30	*			Galalith	45	35	*		
Warp-knit cotton gloves	60	50	*			Wood	45	35	70		
Table damask of flax	45	30	*			Glass	45	25	424		
Napkins of flax	55 or 40	30	*			Fur felt hats, velour, suede	67	45	*		
Miscellaneous flax manufactures	40	30	1,236			Rhinestone handbags	110	55	*		
Rayon gloves	81	66	*			Buckles	110	55	2		
Chenille Axminster carpets	60	40	30			Imitation stones					
Wilton carpets	40	40	164			Cut or faceted	20	10	949		
Footwear (leather)						Not cut	60	30	29		
McKay-sewed	30	20	46			Brass-wind instruments	40	40	131		
Molded soles	20	10	*			Rosaries	15	10	97		
Other except welt, turned, and moccasins	20	20	2,646			Lead pencils	38	23	157		
Fabric uppers, leather soles	35	25	188			Mineral salts	Free	Free	14		
Women's and children's leather gloves	Overseamed	55	880								

*New classification; breakdown not available

Brazil's New Foreign Minister

OSWALDO ARANHA
Wide World

U.S. business men who trade with South America, and who have been worried over the encroachments of fascist Italy and Germany in Brazil, were elated this week with the appointment of Oswaldo Aranha as the new Brazilian foreign minister. The former Ambassador to Washington is a warm friend of the U.S., is strongly anti-fascist.

The picture above was taken a year ago, when Mr. Aranha was still in this country, shows him speaking on one of the short-wave broadcasts which General Electric has been making to South America from its Schenectady station. These broadcasts, under special government sanction, have as their sole purpose—beyond their technical value to GE—the building of better inter-American relations. All commercials are barred.

on the sliding wage scale, but business is growing more slack, government revenues are again falling below estimates, there is no confidence in either business or the government and the franc has slumped to a new low. For the first week in the long decline, employment is below the levels for a year ago.

Defense expenditures are soaring, and must be handled in an extraordinary budget. A new loan with special inducements to investors is expected shortly.

Business still expects a national coalition government will be formed soon, and given special powers to handle the emergency.

Great Britain

London fears tax increases, mounting adverse trade balance, and international diplomatic complications.

LONDON (Cable)—British business has three main worries this week: (1) Soaring defense expenditures with the al-

most certain increase in taxes (arms expenditures for this year are now placed at \$1,750,000,000); (2) mounting unfavorable trade balance due to the more rapid increase in imports (especially raw materials for arms business) than in exports, with the consequent pressure on sterling; and (3) the uncertainties of the international outlook, particularly the all-important negotiations with Italy.

The Chamberlain government has staked its future on the success of

will double those paid during last year.

Unemployment showed a decline when February returns were made public, but is still considerably larger than a year ago. Only lines to show improvement were building industries and clothing manufacturers.

The British Industries Fair reports larger domestic business, but a decline in foreign orders.

Outlook for the next few weeks is for business slackness until the tax program becomes definite and the situation on the Continent clarifies.

The new pressure for the expansion of foreign trade plays into the hands of the negotiators from both the British and American governments who have staked their reputations on the making of a reciprocal trade agreement.

On the Calendar

Hearings in Washington on the Anglo-American trade agreement have been scheduled to begin next week. More than 400 witnesses have asked to present the case for their industry or product to the Committee for Reciprocity Information. Some of them want our tariffs on important imports from Great Britain held at present levels as a protection to industry. Others want them lowered so that British specialties can be brought in more cheaply, or lowered British tariffs so that more American products can be sold to Great Britain.

Real battle in connection with the negotiations is going to be fought by textile interests who want continued high protection against British competition. Nearly 75 representatives will present the case of the cotton-textile industry; 50 will represent woolen-textile interests.

Mar. 14 Members of Congress.

Mar. 15 General Representations.

Mar. 16 Manufacturers of all kinds of textiles (except cotton), leather goods, wood and wood products, machinery, food products, chemicals, and producers of minerals.

Mar. 17 Manufacturers of woolen goods (continued), textile machinery, dressed and dyed furs, rubber products, felt and straw hats, iron and steel products, paper and paper products.

Mar. 18 Manufacturers of woolen clothing, textile machinery, sporting goods, smokers' articles, electric appliances, pens, bottle caps, saddlery, radio apparatus.

Mar. 21 Manufacturers of cotton goods, lace, scientific instruments, diesel engines, bicycles, shovels, fats and oils, chinaware, glassware, worked mica.

Mar. 22 Manufacturers of cotton goods (continued), pottery, optical instruments, aluminum goods, lead and zinc items, silverware.

Manufacturers of cotton goods (continued).

Germany

Leipzig Fair opens with good attendance. Germany demands foreign debt adjustment, and trade deals on Reich's terms.

BERLIN (Cable)—The annual Leipzig Trade Fair is on, with fewer foreign exhibitors than last year (reflecting the world business recession), but with an increased number of foreign buying

Bennett's Successor?

W. D. HERRIDGE
International

its Mediterranean program, which includes settlement of the Spanish affair as well as the development of more cordial relations with Rome. British credits for Italy and recognition of the Italian East African empire are Britain's offer for liquidation of the Spanish crisis and a new understanding in the Mediterranean.

The aviation industry will get a further boost this year from the government's increased subsidy to modernize transport services. Subsidy expenditures

WITH the announcement from Prime Minister R. B. Bennett that he will soon retire as leader of Canada's Conservative Party—see page 47 for detail—speculation began as to his probable successor. One guess is his brother-in-law, W. D. Herridge, the former Canadian Minister to Washington. As Bennett's protégé, Mr. Herridge would be expected to carry on the Bennett economic reform program, but he lacks the Prime Minister's political strength.

representatives (indicating the hope of merchandisers that the recession has touched bottom). Feature of the exhibits this year—like last—is the large number of exhibitors of new synthetic products.

Foreign business leaders were especially impressed with the speech of Dr. Walther Funk, the new Economics Minister, who made four significant statements in his address opening the Fair:

1. Germany is eager to improve German-American trade relations in order to secure supplies of raw materials (Germany in the past has consumed huge quantities of American cotton, copper, and lard, imports of which have been sharply curtailed in the last eight years); but—

2. The Reich will continue and intensify its present program of economic self-sufficiency (which is the antithesis of the Hull reciprocal trade program and the reason why all German proposals for a trade agreement on Germany's terms have been turned down by the State Department of Washington);

3. Germany demands the return of her colonies, which, according to Dr. Funk, would provide Germany immediately with raw materials for which Rm. 200,000,000 of foreign exchange must be spent annually;

4. Germany's foreign debt should be consolidated into a single loan based on Germany's capacity to service and repay, and Germany's currency stabilized in world exchange markets.

Authorities in Berlin anticipate that discussions will be attempted with foreign creditors to handle the debt problem, but believe that the implication in the currency quotation is that Germany intends to raise present quotations on German blocked marks rather than make any important devaluation of the Reichsmark.

Few Germans, or Americans, expect trade talks with the United States to make any progress until the Anglo-American trade agreement (negotiations on which open in Washington on Mar. 14) is completed.

Far East

Boycott worries pottery trade. Manchukuo wants to sell perilla oil to U. S. New income tax is aimed at foreign companies.

TOKYO—The boycott movement in the United States has so far not been widely felt here, but Nagoya, the big pottery center, is beginning to be worried. It has done a tremendous business in 5¢ and 10¢ articles, and when trade returns for 1937 were released they confirmed its belief that business volume had touched a new peak.

Recently, however, there has been a

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- etc., etc.

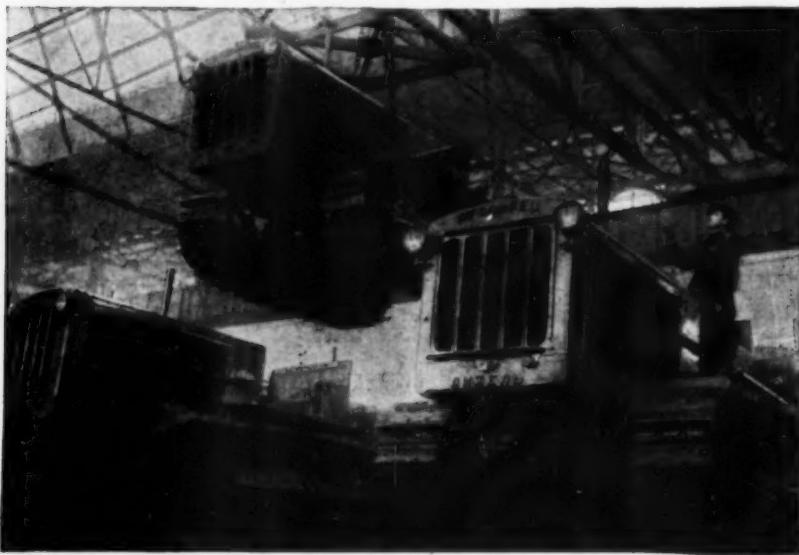
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New Soviet Diesel Tractor



Bettman

THE first tractors that worked Soviet fields were imported, but importations ceased in 1932 when Soviet factories began to produce tractors on a large scale. By last year Russia was the world's second largest tractor producer, with a total of 66,000 units to the 295,000 of the U. S.

Having mastered the production of gasoline tractors, Russia last year turned its

hand to diesels, and nine months ago the first of these (the "Stalinets") left the conveyor of the Stalin Tractor Plant in Cheliabinsk. Early production encountered difficulties, but these have been largely smoothed away, and the plant is at present turning out 30-odd of the diesels each day to meet the year's quota of 10,000.

sharp curtailment of orders and the North American Department of the Nagoya Pottery Export Association has started an investigation. Business leaders are preparing to cooperate in a campaign to alleviate anti-Japanese sentiment in the United States.

At the same time, it is reported in Tokyo that the purchasing agent for three of the largest department stores in the New York area is due in Nippon before the end of March, despite previous reports that these companies were curtailing purchases of Japanese goods and wouldn't send an agent this season.

Manchukuo government officials have requested the Japanese ambassador to Washington to assist in a campaign to obtain a reduction in the American tariff on perilla seed and perilla oil.

Manchukuo's exports of perilla products to Japan and to the United States, and of oil from Japan to the United States slipped badly following the imposition of a special tariff by the United States government two years ago. Manchukuo last year produced 123,000 tons of perilla, of which 54,000 were exported. The United States took 20,000 tons of perilla seed and 19,000 tons of oil. With tung oil exports from China to the United States curtailed because of the war, the time to boost perilla exports appears to be opportune.

Foreign companies operating in the Japanese empire will be subjected to a special 22½% income tax if a bill

before the Diet passes. Existing basic tax laws provide that there will be no discrimination against foreign corporations. The bill provides that the tax will be imposed on firms whose head office is outside the empire. The rate for Japanese corporations would be only 12½%.

Japan's purchases of raw cotton are likely to expand during the spring. Stocks of all grades of cotton are low and, though exports of finished textiles have not yet recovered much, there is such a shortage of raw cotton in the country that some orders for replenishment must be placed.

Raw cotton imports in January amounted to only ¥13,400,000, compared with ¥127,800,000 a year ago. At the end of last year, warehoused stocks of American cotton amounted to ¥8,300,000, compared with ¥43,200,000 at the end of 1936. This accounts for the growing belief that the government will make every possible effort to alleviate the uncomfortable supply situation and try to buy on credit or through exchange clearing arrangements.

Canada

Business is holding its own. Auto sales decline. Federal finances are in good shape.

OTTAWA—To the extent that it is significant, the official economic index

of the Dominion Bureau of Statistics shows Canadian conditions holding well. For the last week in February, the index stood at 107.9 compared with 108 for the preceding week and 115.7 for the corresponding week last year. In view of current United States levels, the indices for the six factors making up the economic index are interesting:

	Feb. 26 1938	Feb. 10 1938	Feb. 27 1937
Carloadings	76.81	76.61	80.22
Wholesale prices	83.8	83.6	83.0
Bond yields	153.8	153.6	143.7
Bank clearings	87.0	90.6	115.7
Com. stock prices	108.8	106.2	146.3
Shares traded	74.9	67.0	415.0

The stock market is the principal factor in the downward influence on the index, and it operates in direct and immediate sympathy with New York. The stock market collapse has had much less influence on Canadian business than was the case in the big depression.

Wholesale and retail trade during the first week in March was on about the same level as a year ago. It is now revealed that motor vehicle sales for January dropped 21.1% in number and 13.1% in value from January, 1937. Sales of trucks and buses were up 2.1%. Gross revenue of the two railways was down for February 5.9% from the previous February. In construction activity, the first break in comparative increases since the first part of last year occurred last month with a drop of 25% from February, 1937. January had shown a 38% advance.

Federal finances continue in a satisfactory condition as the end of the fiscal year (Mar. 31) approaches. For 11 months, receipts are up \$67,795,000 and expenditures down \$8,430,000. There is now a budget balance of approximately \$30,000,000 after relief and Canadian National Railway deficit are counted, but this will be reduced to a much lower figure by the end of the month.

Another \$10,000,000, approximately, is going into industry in Canadian Pacific Railway equipment orders, mainly for freight cars. C. N. R. recently announced spending of a similar amount.

About \$15,000,000 will be spent this year by Bell Telephone on new construction and replacement, much of it in extension of the dial switching system.

Canada contributed something towards offsetting conditions in the United States during the past recession year. Imports from the United States for the 10 months ending January increased nearly \$100,000,000, amounting to \$413,000,000 compared with \$317,000,000 for the previous corresponding period. This happened while imports from United Kingdom were increasing by only \$17,000,000.

Money and the Markets

Even the ICC's freight rate decision and the Whitney failure couldn't shake the market out of its lethargy. Rate decision is generally disappointing, but stocks withstand its effects.

NEITHER the failure of a top-rank stock exchange house nor the appearance of the long-awaited railroad freight rate decision was enough to shake the stock market out of its doldrums this week. There is so little interest in the stock market, in fact, that price swings must be considered more an accident than an indication of trend.

The failure of a New York Stock Exchange house generally is very bad news. Announcement of the Whitney collapse this week was accompanied by a 740,000-share trading day—a volume which is small even in these times. Prices started down, then rallied to close only a shade lower.

It might be said that the rally came on the knowledge that the railroad freight increase would be announced after the close of the market. Yet, with this news to chew on, the market was little changed next day and the volume contracted to even lower levels.

To most observers, the freight rate decision was disappointing. There was nothing rosy in the news to offset it. Under the circumstances it might have been expected that stocks would break quite sharply, but they didn't.

To that extent, then, the action of the market may be called encouraging. Some acute observers contend that the bearishness is being overdone. Yet they

can offer little but long-range predictions to back up that claim. Near at hand, there are only vague rumors of better things ahead for the motor car industry and the feeling that Washington will "do something."

Whitney Failure

Wall Streeters surprised at bankruptcy of firm headed by ex-president of exchange.

SUSPENSION this week of the house of Richard Whitney & Co., members of the New York Stock Exchange, left Wall Street more bewildered than alarmed. The fact that the Whitney firm was insolvent—though that was astonishing—was overshadowed by the further fact that the exchange, of which Whitney had been five times president, preferred charges of "conduct apparently contrary to just and equitable principles of trade."

It was the filing of these charges with the governing committee that prompted Richard Whitney & Co. to announce its inability to meet its obligations. And when on Tuesday, at 10:05 a.m., Pres. Charles R. Gay mounted the rostrum of the floor of the exchange and announced the suspension, trading stopped and brokers gasped in astonishment.

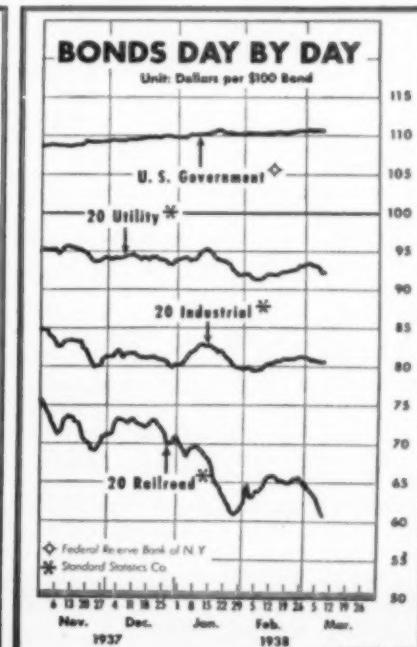
And then news tickers flashed the information throughout the country.

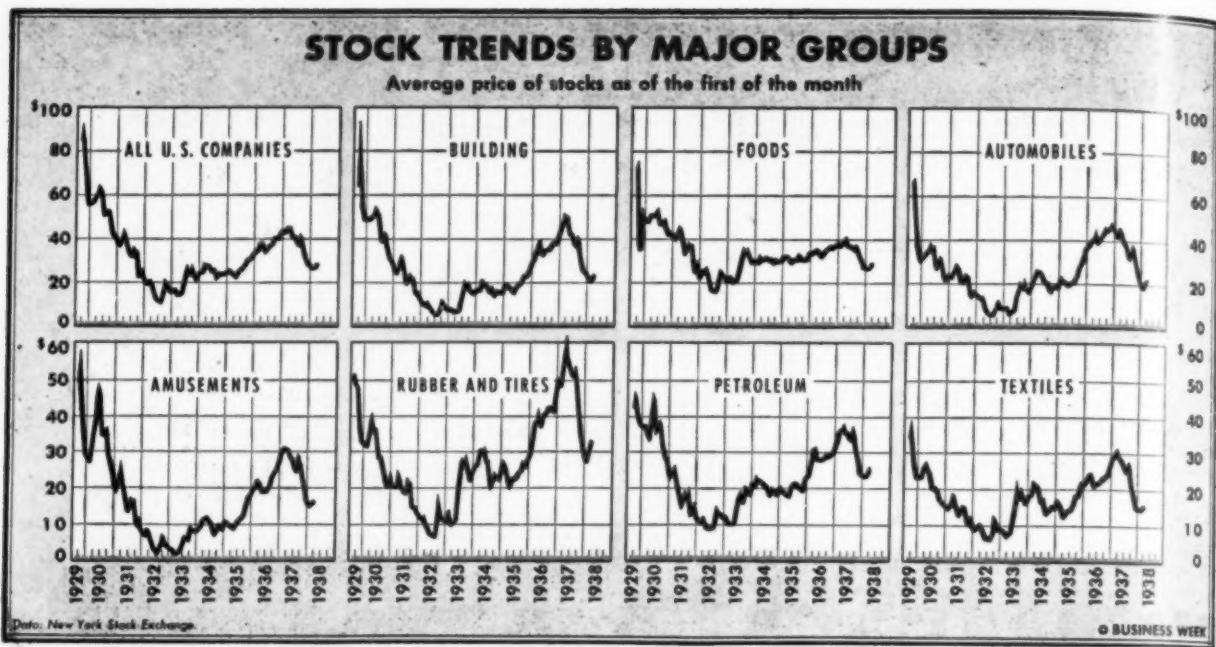
Unlike the Prince & Whitely failure in 1930, or the Pynchon & Co. suspension in 1931, the Whitney collapse did not immediately suggest ramified financial repercussions. The Whitney firm specialized in bond brokerage, acted for large banks, insurance companies and other brokers, did not carry margin accounts to any significant degree, and had few if any dealings with the general public. Moreover, the preferring of charges of inequitable conduct suggested to most Wall Streeters that the problem was not essentially one of financial over-extension.

Mr. Whitney is generally regarded as the "best known" member of the New York Stock Exchange. He can be said to have been a "pillar" of Wall Street. He is a brother of George Whitney, a partner in the private banking house of J. P. Morgan & Co.; his ancestors came to America with the Pilgrims; he is a Social Registerite, a clubman; and his background is that of Groton, Harvard, and the hunt.

Action in 1929 Panic

During the 1929 panic, when Whitney was acting president of the exchange, he served as the banking consortium's broker to check the panic on the stock exchange. It was one of the few occasions that Whitney traded on the floor in stocks. Representing the Morgan-Chase-National City buying syndicate, he put in a bid for 10,000 shares of U. S. steel at 205. That was on Black Thursday in October. Only 200 shares of that \$2,050,000 bid were filled. The appearance of support—window-dressed by Whitney as the Morgan broker—tem-





porarily checked the decline. The non-appearance of a Morgan rescue party for Whitney this week added to Wall Street's surprise and heightened its interest in the non-financial angles of the firm's suspension.

Though members of the firm filed petitions in bankruptcy, it is possible that their personal assets and funds that they may be able to raise on the outside will suffice to pay creditors. That is one principal reason why Wall Street was not particularly worried over the immediate consequences.

The Whitney firm had three memberships on the New York Stock Exchange and one on the Curb (it was also suspended from the Curb). Whitney, after he left the presidency of the exchange in May, 1935, continued as a power in running the market as a member of the governing committee and as vice-chairman of the powerful law committee. His house was the recognized leader in the "bond crowd"—floor traders in bonds—and the failure may be the precursor of changes in bond trading procedure.

Preliminary investigation by the New York State Attorney-General's office indicated that securities presumed to be in possession of the Whitney firm had disappeared. This may have the effect of increasing the vigilance exercised by the Securities and Exchange Commission over the New York Stock Exchange and its members. The SEC is making its own investigation to see what steps it ought to take.

There are two possibilities: The SEC may insist that securities exchanges make more complete and regular examinations of affairs of members; or it may establish its own auditing staff to ascertain the financial status of brokers. It was not until this year that the New York

Stock Exchange sought financial data from firms that did not deal directly with the public.

Ah! An Uptrend—The zoological gardens at Wall and Broad Streets, New York City, did a thriving business in 1937, when 51,277 persons went to see the bulls and bears in action (not inaction). That was the keenest interest shown in Wall Street animal life since 1930, when 92,009 visitors stood in the visitors' gallery of the New York Stock Exchange to see operations on the floor.

There is no admission charge, which in part may account for the increase in interest. Visitors are admitted when introduced by a member of the exchange or by a partner of a Stock Exchange firm. Applications from colleges and other educational groups are approved by the Committee on Public Relations. The 1937 attendance was 24% better than in 1936, when 41,237 persons got admission to the visitors' gallery. Noteworthy is the fact that although 1937 attendance was 44% lower than in 1930, the number of groups was 30% greater: 419 to 323. The inference, which may or may not be correct, is that there was less educational excitement in what was what on the Stock Exchange last year; in other words, that many large college classes visited the exchange in 1930, whereas in 1937 there was a preponderance of groups of twos and threes. Probably persons from other cities.

Stock Exchange Minutiae—Member firms of the New York Stock Exchange employed 47,300 persons on Jan. 1, 1938, as compared with 51,740 on Jan. 1, 1937. That, in itself, bespeaks the unsavory drop in trading volume the

last year. If further proof is needed, stock transfer taxes are testimony: \$57,434,243 went to the United States Collector of Internal Revenue and to New York State, as against \$66,359,326 during 1937.

Of course, it is possible to get at the low estate to which the exchange has fallen, by a more direct route—actual volume in 1937: 409,500,000 shares of stock, and \$2,792,531,000 par value of bonds.

The bond turnover was not so far off from 1929's \$2,996,000,000, but in 1929 trading in stocks, at 1,124,600,000 shares, was nearly three times last year's.

Though volume of stock trading is low, it may be solacing to recognize that the highest turnover from 1900 through 1924 was 318,273,000 shares in the post-war year of 1919. In other words, although the exchange is worse off than it was in 1925 (volume 459,718,000 shares), it is better off than in the first 25 years of this century. Which goes to prove that if you look hard enough, you can find a silver lining.

For further light on the vital statistics of the New York Stock Exchange, see the Yearbook for 1937—just out. This 160-page compendium contains for the first time, incidentally, daily totals of round-lot and odd-lot transactions.

Pure Oil Preferred—The investment banking syndicate which underwrote 442,443 shares of Pure Oil Co. 5% convertible preferred stock last autumn dissolved last Wednesday night. Behind that action is a long—and somewhat painful—financial story.

The oil company last September offered common stockholders the right to subscribe at par to the preferred shares.

But stock prices were cracking, and only about 8,000 shares were bought by common holders. The bankers were called upon to take up \$43,439,400 worth. They quickly arrived at the conclusion that to reoffer the stock to the public at that time would involve a staggering loss. So they wrote Pure Oil a check (at \$97.50 a share) and became investors rather than distributors.

Market conditions since that time have not improved much. The Pure Oil preferred's conversion privilege, which was attractive last August, has lost its appeal. Each \$100 share of preferred may be exchanged for 4½ shares of common. With the common at a little more than \$11 a share, this conversion is worth only about \$50. At the 1937 high, it was worth more than \$100.

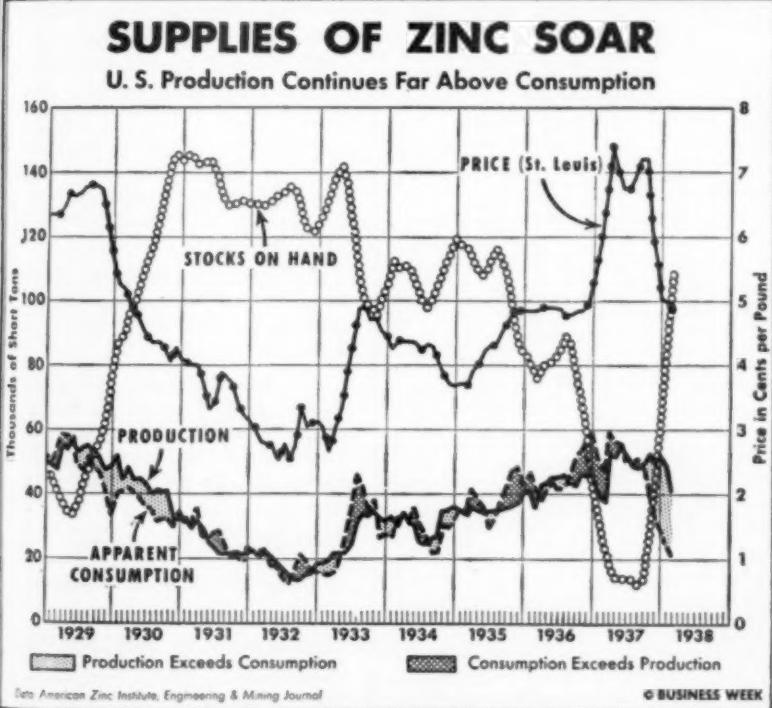
Syndicate members, nevertheless, have decided that it is senseless to tie up their assets in the Pure Oil preferred any longer. Hence the decision to disband. Once it was effective, the dissolution allowed members to sell the stock at prices and terms to their own liking—although price depends to a large extent on the market, which is around \$80 a share.

The most extensive sales effort so far has been abroad. Prior to dissolution of the syndicate, feeling in Europe was sounded out by a partner in Smith,

Barney & Co. (Edward B. Smith & Co. headed the Pure Oil syndicate and since has merged with C. D. Barney & Co.). In fact, the partner offered the whole Pure Oil issue to the Royal Dutch interests, but they couldn't get together. So, if Royal Dutch buys any of the Pure Oil stock, it will do so as an investor rather than with a view to obtaining working control.

Just about the time the syndicate was dissolving, it got a boost from the Pure Oil Co. The financial statement for 1937 shows \$2.15 a common share earned, and net income of \$11,403,805 was the best since 1926. Pure Oil is withdrawing from the retail business in marketing areas which have proved unprofitable, and expects henceforth to be able to produce all the crude it needs (it has had to buy crude in recent years). It also has put its refinery properties into up-to-the-minute condition, and is stressing petroleum production in the new southern Illinois area. Some economies already have been realized, and further savings are anticipated.

John Bull, Investor—Stagnation of domestic investment markets has turned many eyes toward Europe, as in the case of the Pure Oil bankers. Although England has been experiencing a "recession" of its own, the new capital market



FIRST statistics on production and consumption of non-ferrous metals in February come from the zinc industry—and they are not reassuring. Apparent consumption was the smallest since early in 1933, production was curtailed only moderately, and stocks on hand continued to shoot up. Well over half the rise in stocks was in the classification of high-grade zinc—the type used mainly by the automobile companies—indicating the extent to which low motor car production is contributing to the situation. Production and consumption are expected to be at least a little closer together in March, for producers are curtailing drastically.

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in London seems a bit more potent than that in New York.

This was demonstrated a few days ago when a \$7,000,000 department of Akershus (Norway) dollar bond issue was sold in London. While this issue was registered with the Securities and Exchange Commission in this country, there was no intention of offering it here. And London snapped it up.

Some have wondered, since Great Britain let down the bars on capital investment outside the United Kingdom, how extensively London would go in for foreign loans. So far there has been no real test, although the \$7,000,000 Akershus financing gives some indication. The reported interest of British investment trusts in American securities is another straw in the wind.

Sidelight—To those who lack confidence in Uncle Sam's currency, the department of Akershus financing should be significant. These are dollar bonds. There is no gold clause. There is no optional payment in other currencies. The Norwegian province covenants to meet principal and interest in United States dollars, nothing else.

Those terms were written into the bond indenture intentionally. The feeling was that London would take to dollar bonds—and it did. This was a more favorable reaction toward the dollar's real position than has been encountered in many cases within the United States.

Argentina's Corn Failure—In the complicated interrelationships of international trade, one country's disaster is often another's gain. The 1936 drought in the United States made possible enormous exports of Argentine wheat and corn. The current season has witnessed virtual failure of the Argentine corn crop and the largest United States exports in a decade.

The latest word received by the Department of Agriculture is that Argentina in the 1937-38 season will harvest only about 177,000,000 bu. of corn. This compares with 359,615,000 bu. last year, and a five-year average of 334,328,000 bu.

The drought "down under" thus is responsible in no small measure for the relative stability of corn futures on the Chicago Board of Trade around 60¢ a bu. Without the benefit of small crops in the Argentine and storage loans from the Commodity Credit Corp., it is doubtful if the United States' 1937 production of 2,644,995,000 bu. would command present prices. Our crop was 1,507,089,000 in 1936 and 2,554,772,000 on the average in the years from 1928 to 1932. Sixty-cent corn may not please domestic farmers when it is considered as a cash crop, but it looks pretty good on the hoof, with hog prices nudging up toward \$10 a cwt., the best price in months.

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Editorially Speaking—

WON'T someone please introduce those three royal Albanian sisters, conveniently known as Maisie, Ruhie, and Maxie, to the three Marx brothers?

FROM our financial department in last week's issue: "Market technicians refer the formation as a quadruple bottom; a glance at a chart of the stock market at its low points suggests a four-legged insect. . . . Such a sight is not necessarily reassuring." Certainly isn't. In fact, to anyone who has been taught that every insect has six legs or more, a four-legged insect is disconcerting—especially if it has a quadruple bottom.

HAVING given careful attention to the simony in Stalin's latest opera, we conclude that the Mayo brothers murdered George Washington.

AND now will all the non-puzzlers in audience kindly leave? This is an executive session, for puzzlers only—and for us. We don't belong in their company; but as we warned you last week, we're off on a puzzlers' voyage today. All ashore that's going ashore! . . . On Feb. 19 we wrote:

At the convention of the National Puzzlers League, in Cincinnati, says the Associated Press, "Cipriano Farraris, the champion number juggler of them all, . . . put this question: 'I have a certain amount of money. If you give me dollars for cents and cents for dollars for the amount I have, I could buy a \$79.20 second-hand automobile and still have left the amount I now possess. How much have I?' No one seemed to know and Farraris would not tell."

Do you suppose he's ashamed to admit he's only got 80¢?

FTER that the deluge. There's a large rush from A. B. Gardner, of Baltimore: "I trust that your answer of 80¢ to the puzzle of Cipriano Farraris is correct." Our answer? We didn't give 80¢ as the answer. We merely intimated that Mr. Farraris might only have 80¢. He could have more. "Being a member of the N.P.L., although not alive," continues Mr. Gardner, "I have no doubts as to the correctness of the P. dispatch. As a matter of fact you can have 19 different answers to this so-called puzzle. Get out your old woodoo and try out the following: 181, \$2.82, \$3.83, \$4.84, and so on up to \$19.99." And so on up? And why not down? Isn't there a twentieth answer?

AND now comes Frederick K. Hardy, writing from the department of economics of Hobart College, at Geneva, N.Y.; we presume he's an undergraduate instead of the president of Hobart. If not, you can be sure many devout Hobartists will correct us. Writes Mr.

Hardy: "Our Dean Durfee reports that, had he [Mr. Farraris] been a Hobart graduate, the sum jingling in his sagging pocket would doubtless have been \$19.99; though, otherwise, it might have been \$18.98, etc., etc., etc., on down to \$1.81, or even the miserable 80¢ you mentioned." Yes, 80¢ is the twentieth and lowest possible answer; the sum of which Mr. Farraris might most have been ashamed, if that was his all.

BUT on this point we receive a dissent from L. B. Converse, of the Eddy Paper Corp., Chicago: "I do not think Mr. Farraris was ashamed to admit that he only had 80¢, I think he was proud that he had the smallest amount of money possible to make him \$79.20 profit on the deal. I think he was much smarter than his uncle, who some time ago had the same proposition made to him, and he had to get out his horse and buggy in order to get \$6,736 and 6,816¢ to swap with another kind-hearted soul for cents and dollars respectively. This was an awful lot of work on his uncle's part to get the \$79.20 [Wait a moment, Mr. Converse, let's check up on you. \$6,736 and 6,816¢ equal \$6,804.16, which Cipriano's uncle exchanged for \$6,816 plus 6,736¢, a total of \$6,883.36, from which deduct \$6,804.16, leaving \$79.20. That's right; go ahead, Mr. Converse.], and Mr. Farraris was either smart or lucky to only have 80¢ and make the same amount of money as his uncle did with a much larger amount.

"Do you suppose that it made any difference how many dollars and cents he had as long as he had 80 more cents than dollars?"

Not a bit. Our brother Jocks the baker, who sleeps along wi' us and Harry Lauder, made this kind of deal with an Edinburgh banker on Dec. 5, 1831, when he had \$25 and 105¢, which he exchanged for \$105.25, with which he bought a \$79.20 second-hand car, leaving him \$25 and 105¢. And only yesterday the Gentleman on the Statistical Desk, while lunching with the treasurer of McGraw-Hill, gave him \$166,815, 237,251,463,194,813 dollars and 166,815,237,251,463,194,893¢, a total of \$168,483,389,623,977,826,761.93, and received dollars for cents, and cents for dollars, so that he had \$168,483,389,623,977,826,841.13, netting him a profit of \$79.20.

And now all ashore! Everybody! The cruise of the Puzzle Ship is ended. But in a week or two we hope to have time for a short return trip with Mr. Hardy of Hobart, who, in his letter, not only unriddled Cipriano Farraris but sprang a more complicated puzzle on us, thus challenging our most incurably simian characteristic—curiosity.



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BUSINESS WEEK

The Journal of Business News and Interpretation

MARCH 12, 1938

Both There and Here

What has been happening below the Rio Grande may shed light on what has been happening in Washington. Mr. Roosevelt rather preened himself the other day, when he finished five years in office. He said he had been steering a consistent course all along. There are differences of opinion about the wisdom of that course, but these are harder to judge than another question—whether Mr. Roosevelt hasn't been trying to make the ship reach her goal too swiftly. The obvious answer is yes. Look at Mexico and you find the same trouble there—too ardent a haste to socialize everything in a hurry. And the result is much the same—industrial woe.

The Mexican government has been insisting that the foreign oil companies in Mexico pay staggering sums to their employees as retroactive wage increases. Recently the Mexican Supreme Court sustained the government and ordered the companies to pay more than \$6,000,000 within less than a week. The companies, not only the American but the British, said it was impossible. They pointed out that they have offered their workers a minimum daily wage of five pesos, which is twice the legal minimum for Mexican industries; that the working week is only 40 hours, that the workers get annual three-week vacations with pay, besides housing allowances and free medical treatment for their families; that if the men are hurt at work, they get full pay for 18 months; that if permanently hurt they get 1460 days' pay; and that if they are 55 years old and have served 25 years, they can retire with 70% of pay.

If the Mexican government thinks it can do a better job of operating the companies than they can themselves, if it thinks it can run the companies at a profit and improve the workers' lot, it is making a profound mistake, and in time it will learn so from the workers themselves.

Until a few years ago, Mexico was practically primitive. The overwhelming majority of its population was wholly illiterate. Any shelter that kept out the rain, or clothing that kept them warm, was luxury. The people have derived vast benefits from the foreign companies, largely American, that went into the country, made money exploiting the natural resources, and improved things. In the early days there were many cases of

unconscionable exploitation, and nobody can blame Mexico for trying to develop her resources and to use the labor of her people to the best advantage. But the government has been too impetuous in its regulations. It has severely curtailed the oil industry. It has disorganized the production of sisal in the South. Some other industries have also suffered. The government has tried to go too fast, and it has brought affairs to a point where the British and American oil companies are seriously considering the advisability of quitting the country.

Surely there is a lesson in this for the government of the United States. Our principal economic difficulty is not that we have reached an extravagant height of socialization, but that Mr. Roosevelt, like Mr. Cárdenas, has tried to accomplish in five years something that should not be attempted in less than 50. He has attempted to force the ship of state beyond her capacity. It can't be done. The ship wheezes, limps, creaks. You can hear the creaking in Mexico City. You can hear it in Washington.

A Plain Decision That Would Help

Stronger and clearer than the self-congratulatory voice of the New Deal helmsman as he finishes his first five years is the quiet voice of another man who comments on the course that the helmsman has followed. Bernard M. Baruch was called to Washington by the Senate Committee on Unemployment because it thought his opinion worth knowing. He is a Democrat and has long been high in the council of the party. He knows business and he knows politics.

The senators therefore sought his opinion, and he gave it. He did not exempt business from all blame, but he said with regret that "unemployment is now traceable more directly to

government policy than to anything that business could or should do." He urged substantial modification of the capital gains and undistributed profits taxes, but, more than this, a clear decision of the government to turn away from state regulation and back to capitalism. It is the lack of that decision which most impedes recovery. If the government made that decision made it plainly and unmistakably, business would feel the stimulus at once.

Pershing's Example To Business Men

At the time this is written, John Pershing has a reprieve. Nobody can foretell its duration. Fate's great shears may snip suddenly, in the twinkling of an eye, cutting the thread of his life before the present lines are read. It is also possible that he will live for years, surviving many younger men who gave him up for dead a week or two ago. If he had died then, there would have been thousands of instructive editorials and sermons; but none would have been so instructive as the lesson in courage which he himself, by his survival, has given to the rest of us.

Doubtless when a man is in a coma he makes no conscious resistance to death; but even then the spirit that has possessed him in his conscious moments is not altogether vanished. It affects him unconsciously. And if he has fought bravely for life all along, if his resolution has never flagged despite pain and weakness, then there is pretty good reason for believing that he is fighting on, even in his coma; he is fighting against death, he is fighting to live, he is fighting for more days and years in which to watch the world and see what it has to offer and in what way he may still take an active part.

And thus Pershing fought on, while the funeral train waited, and undertakers made ready, and radio voices rolled on in long narrations of the sick man's life, and newspaper obituaries and mournful editorials were set up in type. And suddenly there was Pershing, asking for a barber and eating lamb stew. There was Pershing; there was courage. Is there a lesson in that today for business men?

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